# SANCIAL TIMES

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Marketing/media Advertising's lison Smith, Page 18



Management

UK cut down to size

World Business Newspaper http://www.FT.com

## Formula One set to launch \$4bn flotation in July

The planned flotation of Formula One could raise \$40n on the London and New York stock markets and will transform coverage of grand prix motor racing. Outline plans for the offering suggest a global television service generating annual revenues of \$1bn-\$1.1bn from more than 130 countries. A flotation prospectus may be issued in May, followed by listings in July.

Briton wine in Australia: Briton David Coulthard in a McLaren-Mercedes won the A XX Design Australian grand prix. German Michael Schumacher was second in a Ferrari with Finland's Mika Hakkinen third in the second McLaren. World champion Damon Hill did not start after his Arrows-Yamaha broke down.

## TOTAL TOR UK companies oppose early entry to Emu

Fittish companies are strongly opposed to the list opportunity in 1999, according to a Financial in small to British companies are strongly opposed to the dal Times analysis of opinion in small to-

nedium-sized businesses. But most believe the IK's interests would ultimately be served best y ahandoning sterling for the euro, with nearly salf expressing support for stronger political ind economic links with the rest of Europe. lusiness and Europe, Page 6; Lex, Page 24

IS banks told to reveal Swiss dealings: awyers acting for Holocaust survivors served ubpoenas on five US banks for all records of heir dealings with Swiss banks just before and uring the second world war. Page 2

lank of America plans derivatives linic lank of America, third largest US commercial ank, plans to link with New York-based derivaives specialist DE Shaw, as part of its effort to evelop its capital markets business, Page 25

hine 'sought to influence US polis': he US Federal Burean of Investigation has evience that China channelled money into the US an attempt to influence elections, the Washigton Post said. Page 3

lexico attacks money taundering: lexico is to introduce regulations to curb the fundering of drug profits through its banks and rokerage houses, finance ministry officials

snoi to repay \$140m to US: Vietnam nd the US agreed a debt-rescheduling plan ader which Hanol will repay about \$140m once Page 4

is L joint founder and chief executive of Pace Trichnology, will stand aside when a is found to head the UK digital satreceiver group, which recently issued two warnings. Page 25

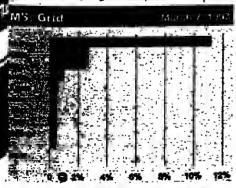
with seeks aircraft funds: Indonesia is sell shares in one of its state-owned aerospace in of a 130-seat Indonesian-made jet. Page 4; budget threat to Eurofighter, Page 2

may widen share ownership: The light a securities and Exchange Commission expected to approve a series of derivatives would allow foreign investors to buy shares present limited to local owners. Page 25

triplion drug sales rise 7%: Sales of drugs in the world's top 10 markets 7 per cent to \$148.8bn last year, market shows. Page 8

wraps up passenger deals: United cal Service, the world's biggest package to passenger tour operators at week-L Seating modules can be put in place in as as 80 minutes. Page 24

Tensined strong at the top of the EMS grid week, with the French franc taking over the Italian lira as the grid's weakest cur-Traders said that both the Bank of and the Bank of Italy intervened in the to prop up their currencies during the Currencies, Page 31



to chart shows the member currencies of the change rate mechanism measured against the takest currency in the system. Most of the rrencies are permitted to fluctuate within 15 per ni of agreed central rates against the other imbers of the mechanism. The exceptions are 2.D-Mark and the guilder which move in a 2.25

LOCKET the FT wab site provides online news, mment and analysis at http://www.FT.com



with Lloyd's.

The judges also used their

tutes for the firm shields and

Mr William Pitt, who repre-

sents Lloyd's in the US, said:

"Ws think the decision is erro-

finely honed swords provided

by American securities law."

A fever of indignation

Patti Waldmeir, Page 23



# Lloyd's faces US setback

Appeals court allows Names to sue

Lloyd's of London faces an embarrassing setback to its campaign to repair its reputa-tion after a Californian appeals court ruled that US Names can sus the insuranca market under securities fraud and racketeering iegislation.
The American Names Asso-

clation, which brought the case on behalf of up to 574 Names - the wealthy individuals whose capital underpins the market - said total damages payable could be as much as \$1bn. Lloyd's said it would appeal

against the ruling which makes no judgments on the facts. Lloyd's said last year's settlement in which it transferred the bulk of its losses to

Equitas would not be affected, said lawyers for Lloyd's were violate US securities laws and that many Names who likely to ask the appeals court passed in 1933 and 1934. originally brought the lawsuit had since decided to settls to reconsider its decision. which contradicts several US

legal rulings that Names can

seek redress only in English

ruling to criticise the legal courts.
redress available to the Names The The incident comes just as in England, saying "major gaps" existed in English law Lloyd's has started a publicity campaign in the US to repair on securities fraud. They said: "The available English reme-dies are not adequate substiits reputation and to recruit new corporate members.

The ruling, made in the 9th US Circuit Court of Appeals in San Francisco by judges Mr Charles Wiggins and Mr John Noonan, says clauses in con-remanded the case to a district tracts signed by Names agree-ing that complaints should be handled by English courts should be voided because they

Describing Lloyd's as "a business corporation so powerful that it has obtained from

the British iegislature substantial immunities," the judges said: "A plain, speedy and adequate remedy for the wrongs alleged by the plaintiffs is not sbown to exist in Britain." They reversed a southern Cali-fornian district court's decision in April 1995 to dismiss the Names' securities fraud and racketeering charges, and

court in San Diego. A third judge, Mr Alfred Goodwin, published a strongly worded dissect. He said the

protection for Americans who lost money betting on chicken fights in Mexico, and that English law provided an "ade-quate remedy".

The Names allege they were defrauded by being placed on syndicates which reinsured asbestos and toxic waste claims, or had a heavy concentratioo of risks due to reinsurance. They say Lioyd's knew the syndicates carried big liabili-ties but did not disclose them. Mr Jeffrey Peterson, executive director of the association. said the ruling recognised that "when a foreign eoterprise eogages in widespresd sales activities in the US, Congress

prohibits that enterprise forcing the investors to waive their rights under the federal

## **Brussels** looks at tightening rules on subsidies

By Neil Buckley

Companies could be prevented from "sbopping around" for state or European Union aid under proposals being prepared by the Enropean

Commission. The EU's Erussels executive wants to stop businesses reiocating from one member state to receive anbsidies in another, or "bopping" between zones that are eligible for aid and collecting subsidies several times.

The commission's concerns have been brought to light by the case of Renanit, the French carmaker, which has attempted to win approval for state ald to modernise a plant at Valladoiid, Spain, after announcing the closure of a profitable Beigian factory with the loss of 3,100 jobs.

"We have got to look at migration between assisted and unassisted regions," the commission said yesterday.

"We are looking at putting in place rules to control

Mr Karel Van Miert, competition commissioner, is expected to present proposals within months, a reflection of the concern in Brusseis. Mr Jacques Santer, commission president, warned at last week's meeting of the 20 European commissioners, where the Renault case was discussed at length, that it was vital for tighter rules to be introdoced.

Officials admit the commission cannot interfere in commercial decisions, but is examining ways of preventing companies from benefiting from aid - at least at full levels - more than once within a certain timeframe.

Another possible measure would be to seek guarantees from companies receiving aid that they would keep factories open for a minimum period. In addition to the proposals doe from Mr Van Miert, the

commission is likely to seek to introduce such measures in its review of the system of

Continued on Page 24

## neous and we plan to take steps to have it reversed." He Top Italian groups agree textile merger

sector companies - HPL the chairman of the family-conindustrial portfolio of the trolled textiles and clothing Gemina investment holding, group, with Mr Maurizio Romand Marzotto - are to merge, forming one of Europe's big- Mediobanca investment bank gest textile and clothing companies with sales of LB,200bn chairman of the Fiat car

The deal will create an industrial conglomerate with 21,000 staff and will incorporate such brands as Hugo Boss, Fila and the Gruppo Finanzierio Tessile, which mann factures clothes for leading designers such as Armani, Ferre and Prada.

Gemina's RCS publishing group.

This hard core will control

This hard core will control arm, which owns Rizzoli and Milan's Corriere della Sera newspaper and a 20.9 per cent stake in the Cartiere Burgo paper manufacturer, will give the merged group a strong presence in publishing and

The merger was announced on the eve of today's stock market debut of Holding Partecipazioni Industriali, the company born from the split of Gemina's industrial and financial interests.

Gemina said HPI with Marcotto would become Gruppo Industriale Marzotto through a share swap involving 13 HPI ordinary shares for one Marzotto share and 8 HPI savings shares for one Marzotto

savings share. On completion, Two of Italy's largest private headed by Mr Pietro Marzotto, iti. a senior executive of the and son of Mr Cesare Romiti, group, becoming managing

It will be controlled by a Who's Who of the "Salotto buono" - some of Italy's most influential private sector business empires - including Fiat, Mediobanca, Italmobi-liare, Assicurazioni Generali, Pirelli and the Lucchini steel

about 45 per cent of the new company but this could fall to about 40 per cent with Fiat and Mediobanca relinquishing part of their respective stakes to allow new hard core investors to acquire an interest.

The timing of the announce ment of the deal, orchestrated by Mediobanca during the past six months, reflects Gemina's concern not to repeat the flasco of two years ago when it attempted an ambitions merger with Ferruzzi Finanziaria (Ferfin), the former financially troubled empire of the late Mr Raul Gardini. Gemina has since been

Continued on Page 24 Report, Page 24



road near the town of Gersweiler during .. a protest seminat plans to siash coal subsidies, lay crosses with the names of closed mines

## Albanian leader gives in to calls for unity government

By Guy Dinmore in Tirana

Albanian President Sali

who have seized several towns in southern Albania a further week to hand in their weapons under a general amnesty. extended from yesterday. In the capital Tirana, opposition parties dominated by the former communists welcomed the agreement, but said they

demanded Mr Berisha's resigdown their weapons. Mr Blendi Gonzhja, a spokesman for the opposition umbrella group Forum for Democracy, said the group was "very worriad" whether the

The opposition would try to

The pact, clinched after two days of talks and mediation by senior European emissaries, came after Mr Berisha abandoned his refusal to involve the Socialist party in the interim government.

beirs to the former ruling communists - have boycotted parhament since fraudulent elections last May gave Mr Berisha's right-wing Democratic party an overwhelming

Mr Berisha imposed a state

sion. "I think the Albanian parliament should declare a general amnesty for all those involved in the revolt ... including civilians and army personnel," Mr Berisha said. "Sunday should be declared

a day of national mourning and prayer for all those who died," be added. "We should declare a plat

form of national reconciliation. which Albania needs now more than ever. The politicians should go beyond their political interests."

Mr Berisha said the new government should immediately start negotiations with neighbouring countries and international organisations to help restore damage caused by the

The Albanian president has largely lost control over the

He is relying on police and the security apparatus to enforce the state of emergency.

Albenian rebels strengthen grip; Greece eyes crisis, Page 2

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## bring rebel representatives broadcast on national tslevifrom the south to sign it.

Berisha yesterday bowsd to opposition demands to form a broad-bassd government of national unity, and to call parliamentary elections by June as he struggled to head off the threat of civil war. Mr Berisha also gave rebels

had only limited influence over the rebels who have

agreement would be accepted in the south.

Tha socialists - who are

of emergency iast Sunday, when parliament voted him a second five-year term in office. More than 20 people have died in the insurrection in nation as the price of laying southern Albania, which was sparked by the collapse in Jannary of fraudulent investment mes in which many people lost their life savings. Rebels blame the government for the

> Armed protesters in the south fired in the air to celebrate Mr Berisha's climbdown,

> > FT/SAP-A Wid Indions . Currencies & Money ... Companies & Finance .. 28,27

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World Stock Markets \_ 37-39 investing in India \_\_\_\_\_\_9-15

By Neil Buckley in Brussels

The European Commission is refusing to comply with its obligation under EU law to reimpose anti-dumping duties today on the biggestselling type of semiconduc tors from Japan and South Korea in an attempt to avoid turmoil in the Euro-pean market, which is worth

The anti-dumping measures on D-Ram chips will be re-introduced progres-sively so they will not be fully in force until June. By then, the Commission hopes, a review of the measure will have been made and ministers will have decided to abolish or reduce them. Re-introduction of the duties is hitterly opposed by east Asian manufacturers which, like semiconductor makers worldwide, are facing an 80 per cent slump in D-Ram prices and being forced to sell below cost. D-Rams, or dynamic random access memory chips, are the basic chips used in every kind of intelligent electronic

The Commission is caught in an emharrassing legal trap since a maximum 21month suspension of the measures - first imposed in 1990 for Japan and 1998 for Korea – should, under EU law, have expired today, That would have produced an overnight leap in Asian import prices.

device from PCs to video

An EU review of the measures was delayed by US-Japan talks on a semiconductor agreement last summer. and talks on an international Information Technology Agreement to cut tariffs and improve market access in Singapore last December. The review will not be completed until summer.

Korean and Japanese manufacturers last week threatened to withdraw supplies if measures were re-applied today, throwing the European market into chaos. EU electronics groups similarly pleaded egainst

We are in a terrible situofficial. "Legally the suspension is over and we have to apply the old system. But in the meantime, prices have slumped. It is a very bad market situation."

The Commission's compromise, which it believes it can defend legally, is to do nothing today, but re-introduce measures in three stages, in April, May and June. By then, Jepanese and Korean importers will have to sell D-Rams in the EU at cost price plus a double-digit profit margin. But the Commission hopes the review will be nearing completion and ministers will decide whether to abolish or cut

Anti-dumping duties of 60 per cent were imposed on Japanese D-Rams - in one of the largest and most controversiel cases handled by Brussels - In July 1990. Undertakings to sell at minisought from 11 manufacturers after the Commission found evidence of widespreed dumping on the European market.

These were followed by 24.7 per cent dnties on South Korean imports, and price undertakings from six manufacturers, in March 1993, In practice, the duties themselves were rarely imposed, since most imports came from the manufacturers which had given price

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# Albanian rebels strengthen grip

By Guy Dinmore in Ballah, Albania

Rebel forces strengthened their grip on southern Albania yesterday, sending bands of fighters northwards to the oilfields surrounding the town of Ballsh, where western companies are planning joint exploration and drilling projects.

The rebels have moved to within about 100 km of the capital Tirana and residents of Ballsh eaid they were ready to join anti-government forces once they reached the town, the site of an oil refinery. Gunfire could be heard there overnight and residents said some members of the local police force were resisting reinforcements sent from northern Albania by President Sali Berisha.

Mr' Berisha's announcement yesterday that he was willing to form an interim coalition government appeared unlikely to stop the rebel advance, bowever, and the opposition parties edmit they have no control over the insurrection.

steady flow of fright-

Albanian

A ened Attautant

into Greece at the weekend

has underscored fears that

any attempt by the Albanian

army to recapture the southern border region from

armed rebels would trigger a

massive exodus of refugees

Greek minority in southern

Albania were among family

groups pushing on to ferries

leaving the rebel-held port of

Sarande for Corfu or arriv-

ing at the Kakavia frontier

post, often without valid

Mr Yannos Kranidiotis,

Greek deputy foreign minis-

ter, flew to Tirana on Satur-

day to offer humanitarian

assistance and reinforce

European pressure for an

early general election to

resolve Albania's mounting

EU and the OSCE, he urged

President Sali Berisha to

extend yesterday's deadline

for the rebels to hand over

passports or visas.

political crisis.

into northern Greece.



Rebels parade a seized tank in Gjirokaster yesterday

Berisha spoke, the hills troops and police, backed by around Ballsh echoed with sporadic machine gun and

gration by desperate Alba-

nians and the safety of eth-

nic Greeks in Sarande and

surrounding villages. Greek-

owned homes and husinesses

heve been attacked by

armed gangs and there are

fears that the minority may

become a scapegoat for the

to resolve. We're worried

that in the meantime mili-

tant opposition groups and

local criminal elements will

become entrenched in a zone

up against our border where

many Greeks live," a senior

Greek official said yesterday.

the border after the Stalinist

regime collapsed in 1991 and

are now predominant among

the eastern European immi-

grants who make up over 10

per cent of Greece's labour

mainly in the underground

economy on farms and con-

The \$500m the Albanians

struction sites.

More than 250,000 Alba-

Albanians flocked across

The political situation

Albanian authorities.

Members of the ethnic will clearly take some time

Like the envoys from the nians work in Greecs,

four old Russian tanks, held the road in a vulnerable valartillery fire. About 150 ley just south of the town.

Greece eyes crisis over the border

ous border and by speedboat

to Sarande, eccording to

est investor in Albania after

Italy, with more than \$60m.

mainly in small-scale joint

ventures in agro-processing.

clothes and textile manufac-

Improved political rela-

tions have brought the open-

ing of two Greek banks in

Tirana, which have seen

deposits soar in both lek and

foreign currency over the

past two weeks as Albanian

companies sought e haven

Increasing lawlessness in

precarious foothold in

reek-owned shops

I and factories were looted at the week-

end but the crisis is not

expected to deter Titan

Cement, a large Greek pro-

ducer listed on the Athens

the past few days has forced

small Greek companies with

retailing and contract mann-

facturing of clothes around

for their funds.

Sarande to close.

turing and construction.

Greece is the second-larg-

Greek border police.

army and police forces in the dash the government's hope south. Rebels took over the southeast town of Gjirokaster and seized tanks and end, driving off a helicopter

The unrest in southern Albania was triggered by the government's closure in January of fraudulent pyramid investment schemes which had sucked in the life's savings of many people. The popular revolt threatens to reawaken ancient northsouth ethnic enmittes in Albania and plunge the country into civil war, only five years after the end of more than four decades of communist rule.

steep, terraced hillsides provide ideal terrain for guer-rilla warfare around Ballsh. Hundreds of oil wells dot the wider valleys, polluting fields and rivers with their

The international oil

rate auctions at the finance

situation in Albania, we

want to renegotiate the bid-ding terms, and we have scarcely any official informa-

tion about the company, let

alone a financial statement,"

says Ms Alexandra Papalaxo-

poulos, Titan's director of

strategic planning. Greek investors have bene-

fited from their Socialist

government's determined

efforts to improve relations

We're worried about the

ministry in Tirana.

control over about a tenth of exploration in Albania since Albania and cannot count on the early 1990s. The the allegiance of its own southern revolt threatens to of building an economic lifeline for the future.

Premier Oil of the UK is heavy weapons from a big engaged in joint developarmy base there at the week ment of the Patos Marinza oil field, which it has described as "the largest onshore oil field in Europe in terms of original in-place

reserves" The Australian Kitari group has an agreement on Ballsh-Hekal field.

The government had hoped to agree on concessions in the second onshore licensing round by June. Albania imports around 50 per cent of its oil following a sharp decline to production communist rule. since the early 1980s to Twisting ravines and 500,000 tonnes a year.

Villagers who have taken up arms in Fratar, the northwere ready to fight to the end if Mr Berisha abandoned his declared policy of seeking a peaceful solution to the conflict and sent in the

A friendship treaty was signed last year and Greece

is preparing to offer tempo-

rary work permits for up to

150,000 Albanian immigrants

a year. The Greek govern-

ment has been less success-

ful in allaying Albanian sus-

picions after the border

incident that Greece's for-

mer territorial claim on

much of southern Albania

Kuwaiti counterparts, Greek

hotel companies and food

processors have been unable

to buy land on the southern

coast, while Greek hanks

have not yet been allowed to

open a branch in a southern

Nonetheless, Greek inves-

tors are preparing for the long haul. The Euromer-

chant Albania Fund, a new

venture capital fund which

includes the European Bank

for Reconstruction and

investors, bas received com-

mitments of \$15m, against a

The fund is sponsored by

target of \$10m.

Development among its

Unlike their Italian and

could be revived.

EUROPEAN NEWS DIGEST

## German adds to Emu doubts

Mr Herbert Hax, bead of the German government's council of economic advisers, has joined the chorus of voices urging Bonn to delay the start of economic and monetary union.

"If you take the stability criteria seriously, Germany will probably not be ready to introduce the euro as planned in 1999," he told the Bild am Sonntag newspaper at the weekend. "Either you ease the criteria - in which case you must announce that now - or Germany will be ready for the euro later."

Mr Hax said it was "unfortunate" that politicians had made the possibility of delaying Emu a tahoo. The truth he said was that "stability is more important than the date". Germany and other EU states should introduce the euro in 2000, one year later than planned.

His remarks earned a swift rebuke from the finance ministry, which pointed out that the decision on the countries starting the single corrency in 1999 depended on economic data that would only be available next year. Mr Hax was initiating an improper discussion and hindering

#### Santer hits at Renault closure

European Commission president Jacques Santer said resterday the French government could have intervened to prevent Renault, the carmaker, from euddenly closing its Belgian plant and laying off 3,100 workers.

Mr Santer told France-2 television in an interview that the way Renault announced its decision had dealt a

serious blow to the spirit of European unity. The centre-right government, main shareholder in Renault, "could definitely have intervened" through its

representatives on the management board.
"The spirit of confidence which is the very basis of European construction, which aims to be not only a market but also a market based on a certain solidarity and on social cohesion, has definitely suffered a serious hiow." Mr Santer said.

#### Chirac call to Latin America

President Jacques Chirac of France said yesterday on the eve of a tour of Latin America that the region's economic future lay not in ties with with the US but with Europe. "Latin America understands perfectly that it is not in its interest to lock itself into exclusive regional integration." Mr Chirac told Radio France Internationale

"Its vocation is not to be a piece of Nafta [North American Free Trade Agreement]. Its vocation is to be...open to the world, and its essential economic interest, trade, investment, aid, is not with the United States but towards Europe. Mr Chirac said.

He noted that the European Union was the main trading partner, higgest investor and most generous development aid donor for Brazil, Uruguay, Paraguay and Argentina, the four members of the Mercosur customs union which he will visit from tomorrow. He will also

"The future of Latin America is not with the North/ South axis, it is with Europe for reasons linked to history and culture . . . ," Mr Chirac said.

#### Bulgaria to buy grain

Bulgaria is to restructure an unused World Bank credit line and use about \$30m to buy grain to help cover its wheat shortage.

Mr Roumen Hristov, agriculture minister, said in an interview that agreement on the credit meant Bulgaria. now needed only 70,000 tonnes to cover the gap until the ext harvest, which he expected could be negotiated from Hungary, Germany or Romania.

He expected to buy about 170,000 tonnes of grain with the credit and hoped deliveries could start by mid-May. Bulgaria's interim cabinet, which took office on February 13, inherited an acute grain shortage after uncontrolled exports two years ago depleted supplies. A poor harvest last year was attributed to bad weather and a lack of cash for fertilisers.

#### Prodi pledges staying power

Mr Romano Prodi, Italy's prime minister, insisted vesterday that his government would last a full term, despite doubts expressed by one of his key allies.

"I am absolutely convinced that this government will last, that it has reinforced its presence in these months." Mr Prodi told reporters at a gathering of his centre-left Olivs Tree coalition in Gargonza, central Italy. Mr Fausto Bertinotti, leader of the hard-left Communist

Refoundation party, said in an interview published yesterday that he reckoned Prodi's administration would not manage to set a precedent in Italian post-war politics by lasting a full five-year term. Mr Prodi, in office for 10 months, relies on Mr

Bertinotti's party for a majority in the Chamber of Deputies (lower house). The relationship has often been fractious but Mr Prodi has said there will be no change to

#### tion an all-party government goods and remittances and tomorrow for 70 per cent after an extremist Greek vate Greek bank controlled underpins flourishing cross-stakes in a cement factory nationalist group staged a by the London-based Latsis to prepare for the vote. But Mr Kranidiotis also horder trade as well as a and quarry at Elbasan in border incident in 1994 in shipping group. atressed particular Greek substantial volume of smug- central Albania, which are which three Albanian con-Kerin Hope concerns about a mass emi- gling across the mountain- due to be privatised in sepa- scripts were killed.

US banks get subpoenas on Swiss links

By Norma Cohen in London and

Five of the largest US banks have been served with subpoenas for all documents concerning the US banks' banks is one launched by Mr Michrecords of their dealings with Swiss policies on document retention. banks just before and during the sec-Holocaust survivors.

The subpoenas, filed late last and Chase Manhattan Bank to hand over all documents relating to assets of Switzerland, Credit Suisse and Swiss Bank Corporation between haus, who lost most of her family in 15 to respond to the initial lawsuit include provision of documents.

ments showing details of any correspondent relationships between the Communities. five US and three Swiss banks, and

ond world war by lawyers acting for series of motions in a class action ton DC law firm. The firm, which accusing the Swiss banks of collaborating with Nazi Germany by launweek, ask Citihank, JP Morgan, dering stolen money, jewellery and Bankers Trust, Bank of New York art treasures during the second dering stolen money, jewellery and alises in high profile class actions.

art treasures during the second Mr Hausfeld says his lawsuit is as

world war. The three banks face three sepatrunsferred to and from Union Bank rate class actions in the US. One has we're after, not just redress." been launched by Mrs Gizelle Weiss-

World Council of Orthodox Jewish intend to challenge it.

The case that most concerns the olicies on document retention. ael Hausfeld, partner at Coben, Mil-The subpoenas are the latest in a stein, Hausfeld & Toll, the Washing won the recent \$176m racial discrimination case against Texaco, specimuch a quest for history as it is for

compensation. "It's information The Swiss banks have until April of-court settlement would have to

1933 and 1946. They also seek docu- Auschwitz, and another by the and have already indicated that they

The banks had hoped that their decision to set up a SFr265m (\$180m) special fund for Holocaust survivors. combined with the Swiss government's planned SFr7bn foundation to alleviate human sufferring, might be enough to end the US litigation. Mr Rainer Gut, chairman of Credit Suisse, indicated last week that he would consider an out-of-court settlement if the legal proceedings could be brought to e swift conclusion. However, Mr Hausfeld said any out-

# German budget threat Chubais appointment gets to Eurofighter project mixed reaction in Russia

By Peter Norman in Bonn

Budgetary problems in Germany are posing a new threat to the Eurofighter. the joint project of the UK. Italy. Spain and Germany for a new generation of combat aircraft. The finance and defence

minietries in Bonn have Germany's acquisition of 180 of the aircraft from 2002 are at loggerheads over DM2bn (\$1.1hn) which they had earlier agreed to provide is delaying a cabinet decislon to order the aircraft.

DM1bn share, but the finance ministry does not want to make a commitment until it has e clearer view of

and next. Mr Theo Waigel, the replacement for Germany's it can be afforded in the tinuing. light of the government's plans to cut taxes and meet defence minister, yesterday the newspaper. The defence the Maastricht criteria for signalled that he had given minister insisted that Ger-



onwards. The two ministries Eurofighter has sparked inter-ministry row

Mr Theo Waigel, German finance minister, yesterday to cover interim costs. This warned the opposition Social Democratic party that he would go ahead with plans for tax reform irrespective of whether the SPD resumed talks with the government on the The defence ministry is issue, writes Peter Norman. The SPD called off tax talks prepared to provide ite with the Bonn coalition at the weekend in protest at government plans to cut federal coal subsidies from DM9bn (\$5.25bn) a year to DM3.8bn in 2005.

ministry said only that talks

finance minister, has backed fighter decision until the get under way "at the latest Eurofighter as a necessary autumn, while the finance after Easter, in April. 40-year-old Phantom aircraft. between the ministries and have to make its final deci-But he wants to see whether with the industry were con- sion before the summer.

The defence ministry yes- interview with yesterday's expenditure trends this year terday refused to comment Frankfurter Allgemeine on reports that Mr Waigel Sonntagszeitung, he said he wanted to delay the Euro-expected decision-making to The government would

when it drew up the federal Mr Volker Rühe, the hudget for next year, he told economic and monetary up hopes of an agreement in many needed the new fighter union.

bals from the government have a strong team of parliament, predicted the union.

bals from the government have a strong team of parliament, predicted the union.

communities, who dominate.

By Chrystia Freeland in Moscow

Russian liberals have welcomed President Boris Anatoly Chubais as first deputy prime minister at the weekend, saying that his from the cabinet early last return to the cabinet would revive the country's ailing to distance himself shead of market reforms.

appointment of the man reformers are hoping that tremer single-minded administrator who spearheaded privatisation and masterminded the renewed sense of direction to the government's mud-

died economic agenda. collaborated with him in writing last week's presidential address, believes tha out reforms".

cabinet's ability to conduct thought-through economic policies of any sort," said Mr Gaidar, a former premier who in recent weeks has Yeltsin's appointment of Mr sharply criticised the gov-Mr Chubais was dropped

year, as Mr Yeltsin sought the July presidential ballot The Communist opposi- from the man most closely tion fiercely criticised the associated with painful market reforms. After Mr Yeltthey have demonised for sin's re-election Mr Chubais pushing through Russia's returned as Kremlin chief of mase privatisation. But staff, a job which gave him dous political power Mr Chubais, a talented and hat little direct influence over the economy.

However, analysis warned Mr Chubais's effectiveness re-election campaign of Mr in the cabinet would depend Yeltsin, will bring a very much on who occupies very much on who occupies the key economic ministries and his relationship with Mr Victor Chernomyrdin, the Mr Yegor Gaidar, a long-prime minister, whose time ally of Mr Chubais who authority could be eroded by authority could be eroded by Mr Chubais's arrival.

The speculation Moscow is that a pack of Mr appointment "has increased Chubais's young and the likelihood that the gov- intensely loyal protégés will ernment will prove capable join him in the cabinet. The of implementing thought- new first deputy prime min- ply 2 swear-word." out reforms". ister hinted as much, saying Mr Alexander Shokhin, a lin's discomfort at the pros-"The absence of Mr Chu- after his appointment: "I liberal deputy speaker of pect of Nato's eastward



would revive ailing market reforms, said Yeltsin

Tactfully, Mr Chubais also pointed out that the government was already headed by "an experienced leader, Vicfor Chernomyrdin".

Mr Chubais's appointment predictably prompted a venomous reaction from the Communists. Mr Valentin Kuptsov, the party's senior ideologue, said the appointment was "more than negative, and more than unac- foreign minister. The two ceptable for the opposition... the name of Chubals for us has become sim-

the legislature, would try to force a vote of no confidence in the cabinet in the wake of

Mr Chubais'a return. But attacks from the left, or from the public, which tends to blame Mr Chubais for the hardships of the transition to a market economy, were muted by the clever timing of his appointment. The Kremlin waited until late on Friday afternoon before announcing tha

widely expected decision to move Mr Chubais back to the cabinet. Saturday was International Wemen's Day, one of Russia' most cherished public holidays. Pestivities will continue today, which has been declared a national

pers will not re-appear until Wednesday. In the midst of the cabinet shuffla, Mr Javier Solana, Nato secretary general, arrived in Mscow yesterday for a private meeting with

quest

goid hyanne

holiday, and many newspa-

Mr Yevgeny Primakov, the were expected to discuss an accord between the western military alliance and Russia which could ease the Krem-Editorial Comment, Page 23

claim Beijing

# 'Unpatriotic' buyers lie low

John Burton on a difficult climate for imported goods in South Korea

that the Seoul government is breaking international commitments on market opening by secretly supporting a grassroots "frugality" campaign that is hurting sales of foreign products in South Korea.

Businesses and citizens' groups began boycotting foreign products after President Kim Young-sam last year called for an end to "luxuriconsumption" in response to an economic 1996, and foreign debts of more than \$100bn.

Government officials claim Seoul is not officially supporting the anti-import campaign and thus is not liable to complaints that might be filed with the World Trade Organisation by the US or lenged - they were misthe European Union. "The frugality campaign is the result of private efforts by businesses and citizens groups," said the foreign trading houses operated by ministry. "If there is any official involvement, it is coming from zeelone low-level bureaucrats."

Nonetheless, western diplomats blame the govern- are signs that the government for the slump in sales ment is at least indirectly of foreign goods. The gov- trying to hamper imports.

estern diplomats ernment is creating a cliare complaining mate of intimidation by suggesting that Koreans who buy foreign consumer products are contributing to the trade deficit and thus are unpatriotic," said one.

Monthly sales of foreign cars fell from a peak of 1,137 vehicles in July 1996 to 618 by December. Sales of imported whisky were down 10 per cent during the first two months of 1997.

The problem for western

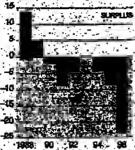
governments is finding evi-

dence that would directly slowdown, a record current implicate the government in account deficit of \$23.7bn in the anti-import campaign. Korean officials are normally careful not to make public criticism of imported products when discussing the frugality campaign. But when they are quoted in the domestic media as doing so, they "claim - when chalquoted or mistranslated", a recent EU memorandum

> Samsung, Hyundai and others have promised to stop or limit imports of foreign consumer products this year. Despite official denials, there

The nation'e six largest

South Korea 19 34 33 1



Custom regulations are becoming more cumbersome. with new testing requirements for foreign products from Guinness beer to cos-

Labelling rules for clothes and foodstuffs have become more complex. European clothing can no longer carry a plain "Made in the EU" label but must specify the country of origin. What puzzles western dip-

lomats is why Seoul is risking the ire of its trade partners by encouraging the frugality campaign. Although the government estimates that imports of products classified as "luxmry goods" grew by 48 per ean currency and growing social inequality.

cent to \$2bn last year, they production costs that have accounted for only 8.8 per harmed Korea's internacent of total imports. The tional competitiveness. government definition of . A recent study by Seoul's

ances, cosmetics, golf clubs,

clothing and cars.

almost 20 years.

the UK embassy.

Seoul believe that imported

scapegnat for South Korea's

economic problems. "To try

to suggest that the reason

for Korea's corrent account

deficit in 1996 lies in the

import of consumer goods

flies in the face of economic

realities," said Mr Tim

Holmes, chargé d'affaires at

He blames a sharp decline

huxury goeds includes elec- central bank concluded that tronic products, home appli- Korea's failure to create a capital goods industry had been a main cause for its Moreover, economists persistent trade deficit, as it warn that any efforts to needs to import most of its damp consumer spending machinery.

Bnt political and social could rebound by alowing factors may be an important growth. With industrialinvestments sluggish, primotive for the frugality camvate consumption has paign. Officials have often become one of the main argued that conspicuous consumption of foreign prodengines for economic growth this year. If that slows down, ucts by the wealthy elite progross domestic product vokes class antagonism growth could amount to 5 among egalitarian-minded Koreans, particularly during per cent, the lowest rate in economic downturus. Foreign representatives in

Excess consumption "cre ates a sense of social disherproducts are being used as a mony and provides a revolutionary cause of evil to left-leaning elements in our society", said Mr Oh Ho-suk, head of the Korean Central Council of Nightspot Operators, justifying his organisation's boycott of foreign liquor and cigarettes.

If such attitudes are urevalent, it bodes ill for proposed market raforms that are in global prices for main neaded to make Korea's Korean export products, state-dominated economy higher import costs due to more efficient, but which are the depreciation of the Kor- also likely to lead to greater

## Vietnam Dissidents and US line up deal on debt

reached agreement in principle on a debt-rescheduling plen under which Henoi will repay about \$140m in arrears once owed to Washington by the former South Vietnam.

US officials left the Vietsamese capital at the week end after negotiating the deal, which still needs final approval from both governments before it comes into

A statement issued by the officials said no date had een set for a signing. Vietnam has about 20

years to clear the debt, bout half of which is interest arrears. Terms are understood to be concessional.

In 1993, the Communist anthorities in Hanoi agreed to assume the so-called "social and economic" debts of the US-backed Saigon regime when it concluded a loan repayment package with multilateral - or Paris Club - donors.

Those debts stem from humanitarian and development funding extended to Saigon for the installation of power stations, the construction of roads and shipments of grain during the

Vietnam'a 1993 commitment did not include an unspecified amount of "military debt" owed to Washington by Salgon.

Property claims by each government on the other were settled in 1995, the year in which the former foes established full diplomatic ties.

The resolution of the decades-old debt problem will move Washington one step closer to a trade agreement with Vietnam, Such a pact is one of the final steps necessary for fully normal relations between Washington and Hanoi.

The first US ambassador to Vietnam, a former Vietnam war prisoner, Mr Douglas "Pete" Peterson, is expected to take up his post



By Tony Walker in Beijing

Moslem dissidents from

China'e far-west Xinjiang

region have claimed respon-

sibility for the bombing on

Friday of a crowded bus, in

China denied initial

reports that two people were

killed, saying no one died in

the blast during the evening

rush hour near the city's

eadership stronghold. A

number of people were

wounded, several seriously.

Beijing newspapers yester-day blamed the bombing on

"criminal elements", saying

they had used a home-made

Reiting.

ascribed blame but the Beijing attack follows three bus bombings late last month in Urumqi, capital of Kinjiang, home of a nationalist move-

bus bombing Exiled ethnic Uighurs who are pressing for an independent state of "East Turkes tan" in Xinjiang claimed in e message to Taiwan's official Central News Agency: "The bus explosion in Beijing city. . is the only way for the Xinjiang Ulghur people to take revenge against communist China's oppression."

The message was issued by the Turkey-based Organisation for Turkestan Free dom, one of a number of Uighur dissident groups. Western officials said that while there was no direct

evidence linking the Ulghurs with the Beijing bombing, there was a strong possibility Islamic extremists were responsible. An official described the bomb blast in Beijing as a "worrying devel-

Uighurs make up about 80 per cent of Kinjiang's population of . 16m. Friction between the local population and Chinese officials is increasing and China has launched repeated crackdowns on nationalist activ-

Beijing authorities have admitted this was the second bombing in Beijing in about the other incident.

# China eases path to review

of Tiananmen

By Tony Walker

The Chinese parliament has approved a revision to the criminal law which deletes counter revolutionary" statutes under which many of the pro-democracy demonstrators at the Tiananmen Square protests in 1989 were

The move comes less than two weeks after the death of Deng Xiaoping, China's paramount leader, who ordered the Tlananmen crackdown. ious to avoid argument over It appears to lay the ground- such a contentious issue as work for a possible reap- the post-Deng leadership praisal of the Tiananmen seeks to consolidate around massacre, in which several President Jiang Zemin, Howhundred demonstrators died .ever, the leadership may at the hands of the security

But Chinese legal scholars sitivities it may be several years before a Chinese leadacy of Tiananmen Square.

Many of those sentenced incident were charged as counter-revolutionaries. The ing stability.
protests were deemed a Western officials say that protests were deemed a Western officials say that counter-revolutionary rebel- while the removal of the

cess will be highly sensitive. Mr Qiao and his supporters believe that the credibility of the ruling Communist party would be enhanced by a painstaking re-assessment. and that China's reputation would benefit. However, an impediment remains the continuing presence in the leadership of Mr Li Peng, the premier, who issued the instructions for the army to

act on Mr Deng'e orders. China's rulers will be anx eventually be propelled towards a review.

China's official references and western officials caution to Tiananmen have been that because of political sen- muted recently and Mr Jiang skated over the massacre in his eulogy to Deng late last . ership feela, confident month. His remarks did not . enough to deal with the leg- amount to full endorsement of the action taken, but were rather a re-statement of the to long jail terms after the official line that the crackdown was aimed at preserv-

"counter-revolutionary" stat-Mr Qiao Shi, chairman of the Standing Committee of appears to be a step towards national Peoples Congress, answering criticism that the parliament, is known to

## Aerospace shares go on sale in attempt to finance jet development

## Jakarta to start raising aircraft funds

By Manuela Saragosa

The Indonesian government will this week start selling aircraft - known as the shares in one of its stateowned aerospace companies to raise funds needed to finance the controversial development of a 130-seat Indonesian-made jet aircraft.

The project bas been dogged by financing problems and the offering is widely viewed as an attempt of last resort to secure its Dua Satu Tiga Puluh

(DSTP), a company headed by President Suharto, will

shares to the public tomor-

continue to around the year 2006 and government officials expect it to raise the \$2bn needed to develop the N-2130.

"In the long term it might be necessary to list the shares on the Jakarta or Surabaya stock exchange. But for the time being there is no such plan," Mr Saadilah Mursid, DSTP's president, said late last year. He added that the company was still studying how the shares would be traded.

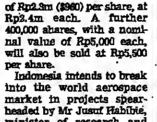
President Suharto decreed last year that the N-2310 would be financed entirely start offering around 1.17m by the private sector, following criticism that the counrow but they will not be try's first all-Indonesian aircraft, a 70-seat turbo prop aircraft known as the N-250,

unviable project. Development of the N-250 was funded from state cof-

Controversy intensified after President Suharto signed a decree allowing money from a governmentrun reforestation fund to be transferred to the stateowned aircraft manufacturer Industri Pesawat Terbane Nusantara (IPTN).

Shares in DSTP, set up separately to develop the N-2130, will be placed privately. Buyers are expected to include some of the country's wealthiest companies. businessmen and state corporations. There is no underwriter for the offer and a prospectus was not immediately available.

DSTP will offer 774,398



minister of research and technology. Last year IPTN, of which Mr Habible is president, formed the American Regional Aircraft Industry (AMRAI), a company headed by Mr Brian Rowe, the former vice-president of General Electric Aircraft

According to Mr Habibie, the N-250 will eventually be assembled in the US and AMRAI will market it sector financing for develop-



Suharto: busisted on private

# Government action 'key to Tiger success'

By Peter Montagnon, Asia Editor

Asia's four Tiger economies owe their success to the entrepreneurial nature of their governments rather than classic free market economics, according to a study published by Britain's Overseas Development

The study, by Mr Tony Yu of the University of New South Wales, describes as inadequate the orthodox explanation that deregulation and free market economics created high growth in Hong Kong, Singapore, Taiwan and South Korea. Economists should play much closer attention to the role of governments, be says.

The notion that a close, complex between government and business

has played an important part in role of government in South Korea, to pick winners in manufacturing, not only in the sense that no exces-Asia's economic miracle is a theme Taiwan and Singapore, even Hong it set up the Hong Kong Productive sive trust has been placed in libthat has begun to recur as the Kong - often thought of as the last region takes a more self-confident bastion of laissez-faire - owes its look at its own development. It is success to government entreprennexpected to be explored by the rialism, he says. But the territory's Asian Development Institute thinktank being set up later this year in Tokyo by the Asian Development

regional perspective. Some economists argue that the eventual outapproach to conditionality in development aid. Mr Yn argues that the Tiger governments succeeded because, in sales income to maintain a relatheir different ways, they took the tively extensive welfare system role of result-oriented entrepre-

Bank with the aim of drawing up a

approach was facilitative rather than directive.

Hong Kong's entrepreneurial approach shows particularly in its subsidised housing policy, which has helped maintain social stabilcome could be a more Asian ity, reduce the cost of labour and provide a safety net for small

It has used revenue from land while maintaining low corporate neurs, making the framework for and personal taxation, and has and productive relationship government intervention dynamic. taken the lead in planning infra-While there is no disguising the structure. While it has not sought

ity Centre and Trade Development Council to help business concentrate on the right activities.

eral market policies, but also in the sense that the dangers associated with state intervention have been

laissez-faire, Mr Yn says. "The gov- an entrepreneurial streak in ernment would restrain its visible hand if it found the private sector could do better, as illustrated in its manufacturing activities, but would interfere without reserve if it found it necessary, as in the case of housing provision. The Hong Kong government is therefore essentially interventive."

In the other three Tigers, the government approach is more directive but still entrepreneurial.

Lot 2:

This approach is by no means recognised." They have also shown quickly changing policies that have been proved wrong, he says.

Singapore, South Korea and Taiwan routinely targeted assis-tance on specific industries and even specific companies, but an emphasis on export performance helped push industry towards international best practice.
\*Development Policy Review,

March 1997, published by Overseas Development Institutute, Portland made textbook prescriptions. They 5DP, fox 0171 393 1699, e-mail Tiananmen Square but with rules to deal with dishave been pragmatic and flexible, dpr@odi.org.uk

#### **CONTRACTS & TENDERS**

#### AUTORITA' PORTUALE DI ANCONA (ANCONA PORT AUTHORITY) NOTICE

Notice is hereby given that the parties interested in the acquisition of state concessions and authorisation for the running of port operations within the areas where the Azienda Mezzi Meccanici e Magazzini del Porto di Ancona operates loading and unloading activities, that is the operative areas of wharfs nos. 1 - 2 - 4 - 15 - 23 - 25 of the Port of Ancona, must present applications to the Ancona Port Authority in which they should:

1. provide the information according to Article 18 of Italian Law 84/94; 2. provide the information according to Articles 2 and 3 of the Ministerial Decree 31.3.1995, Reg. act of Article 16 of Italian Law 84/94, presenting, in particular, a detailed investment plan, a purchase plan and description of trade, as well as precise commitment as to the tariffs to be applied;

3. provide precise indications about the willingness to employ personnel, according to Article 23, sub-section 3 of Italian Law 84/94; 4. present an economic offer for the acquisition or lease, according to article 20, sub-section 2, point c) of Italian Law 84/94, of the assets and movable equipment owned by the Ancona

Port Organisation. Information relative to the assets and movable equipment, the criteria for determining the provisional rent and other relevant aspects can be obtained by consulting the specifically prepared technical form and the equipment reports at the General Secretary's office of the

Considering the technical and organisational needs of this Port Authority and, in particular, the need to continue the port's activities, interested parties are invited to present their applications within twenty days of the publication of this notice.

The applications received will be published according to Article 18 of the Naval Marine Reg. If competitive offers are received, the proceedings will be carried out according to Article 37 of the Naval Code, except for unforeseen, different laws on the subject.

The present notice does not bind the Administration in any way. Ancona, 27th February 1997

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## **CONTRACTS & TENDERS**

#### INVITATION FOR BIDS

The Lithuanian Road Administration now invites sealed bids from suppliers for the following contracts:

Lot 1: 5 units of Salt Spreaders which can be adjusted to trucks SISU E11 M-KK, operated by bydraulic system of the

Date of delivery to Lithuania - 60 days after the date of signing the Contract.

20 units of trucks with double cabin (platform with tailgate and side-gates) - carrying power up to 2 tons. Date of delivery to Lithuania - 60 days after the date of signing the Contract. Tendering for contracts is open to internstional

companies. Bidders are permitted to tender for one or Tender documentation packages may be obtained at the address below upon payment of a non-refundable fee of US\$ 100 for each of the Lots via an irrevocable bank

cheque for the foreign bidders. If requested, the documents will be promptly despatched by air mail, but no liability can be accepted for loss or late delivery. Only parties who purchase the tender documentation packages will be considered eligible to submit the bids.

All tenders must be delivered at the address given below on or before 11 a.m. local time April 15, 1997, when they will be opened in the presence of the bidders' representatives who wish to attend.

Prospective bidders may obtain further information from and buy tender documentation packages by contacting Mr Juozas Kondrotas, Director of State Property and Service Division, Lithuanian Road Administration, 36/2 Basanaviciaus Street, LT-2009 Vilnius, Lithuania. Tel.+ 370-2-235849, +370-2-637565, fax +370-2-231362

#### **PUBLIC NOTICES**

AMENDMENT TO THE SUPPLY OF BEER (TIED ESTATE) ORDER 1989

This notice is published by the Secretary of State for Teads and Industry under section 91(1) of and Schedule 9 to the Fair Teading

 It is proposed to lay a draft of the Supply of Beer (Tied Essate)
 (Amendment) Order 1997 ("the Order") before Parliament.
 3. The Supply of Beer (Tied Estate) Order 1989 (sogether with the Supply of Beer (Loan Ties, Licensed Premises and Wholesale Prices) Order 1989) were made for the purposes of remedying the adverse

effects specified in a report of the Monopolies and Mergers
Commission entitled "The Supply of Beer - a report on the supply of
beer for retail sale in the United Kingdom" (Command 651), published in March 1989. A copy of this report may be obtained from The Stationery Office.

4. Article 7 of the Supply of Beer (Tied Reuse) Order 1989 required browers owning more than 2000 licensed premises and large browery groups so permit their field tenants and recipients of loans to purchase one bound of draught cash-conditioned beer outside the tie from a supplier of their choice. The deaft Order would amount article 7 by requiring large browers and browery groups to also allow tied seems and loss recipients to purchase one brand of bottle-conditioned beer outside the tie. "Bottle-conditioned beer" is defined as heer which undergoes feamentation in the bottle from which it is served for aption. The tenant or loan recipient can be required, by agreement, to sell only one bound of bottle-condition

purchased outside the tie during any one day. 5. Copies of the draft Order can be obtained from Mr G Zebodoe, Department of Trade and Industry, either by writing to the address below, by relephone; 0171 215 6815, fax; 0171 215 6726 or email: graham nebedes@cacp.dni.gov.nk A copy will also be available to be seen at all reasonable times in the Department of Trade and Industry. Room 6.1.8, I Victoria Street, London, SW1H OFT.

5. Any persons whose interests are likely to be affected by the Order . and who wish to make representations in respect of it, should do so in writing to Mr G Zebedee, Department of Trade and Industry, EC/International Competition Policy Division, 6.1.8, I Victoria Serect, Loadon SWIH GET (stating their interest and the grounds on which they with to make representations) before midnight on 21 April 1997.

G ZEBEDEE (MR) Department of Trade and Indestry

British Ser was A Land Mary and the 医鼻脑炎 公司 爱 470 March 18 A. The second second Mit in any Period 1 1 1 Service Control <del>算表</del> 第557 m Wife I -Section 2.

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MAN WAY

Michela Wrong on a radical shift in public attitudes to the rebels' cause n Kinshasa, the Zairean capital, the political elite is abuzz with talk of e secret Pentagon paper. Those who claim to have read the paper, much discussed but never produced, says it envisages splitting the nation from north to south at the level of the town of Kananga. The east side, including the dismond-producing province of Kasai, copper-produc-

ing Shaba and gold-rich Kivu, would go to the rebels who have been advancing across the country since October. The west side, holding President Mobutu Sese Seko's - Equateur province and the underdeveloped rural areas, would remain in Kinshasa's control.

America's aim, the elite claim, is to force Kinshasa to accept the east's secession and then flood the region. with 4m Rwandan Hutus, overspili from one of Africa's most populous countries. Zaire's ruling class, which for decades regarded Washington as its closest ally, is now convinced a hostile US is committed to the nation's fragmentation.

New friendships with Uganda and Rwanda, providing the rebel movement with its logistical backbone, have Zairean officials believe encouraged the US to forget persona non grata by the the rebels and come up with

in historic

trip to

Moscow

Judy Dempsey in Jerusalem

Mr Benjamin Netanyahn

today becomes the first

Israell prime minister to

visit Russia when he arrives

in Moscow to promote closer

ties between the two former

cold war enemies and dis-

· Israel is negotiating to buy

Russian gas to broaden its

energy base and lessen its

oil and coal supplies. An

Arabic newspaper reported

However, Israeli officials

said they did not expect the

deal to be signed this week.

We may consider some

memorandum of understand-

ing but we are keeping all

our options open," a spokes-

man for Israel's infrastruc-

Only 4 per cent of Israel's

electricity is generated by

gas but officials said there

were plans to increase that

share to 10-15 per cent by

Israel has been bolding

talks with Qatar, Turkmen-

istan and Egypt, which

would be the preferred sup-

plier because of its proxim

trade and politics to be

mixed," an Israeli official

He insisted Israel had not

closed the option of buying

gas from Qatar, whose 90-

right recently expired.

ment joint ventures.

ig a contract

much as \$3bn.

ture ministry said.

cuss a gas supply contract.

its cold war alliances and government - first burst a miracle cure to the coun- acceptance by both the gov-

The conviction that the government. world's only remaining superpower has thrown in as a foreign invasion and for its hand with Mr Laurent a short time normally cyni-Kebila's Alliance of Democratic Forces in part accounts for the extraordinary resignation with which the country now awaits its collanse

But behind the passive acceptance of the approaching disintegration lies a profound weariness with the status quo. Three decades of mismanagement and corruption bave come home to roost

"There is a deep desire for change," says e diamond dealer. "People listen to the radio and pass around letters from reletives in occupied areas. They hear that life there is good, Kabila's men are more disciplined than the Zairean army, and new administrative structures are being

Rebel victories in the east have coincided with a radical shift in public attitudes towards the fighters' cause. Last October, when the revolt by the Banyamnlenge Zairean Tutsis declared

Netanyahu Arab leaders

By David Gardner

land.

dependence on vulnerable for vetoing a United Nations

Palestinian leaders close to

Mr Yassir Arafat, president

of the Palestinian Authority,

yesterday said it was time

for active resistance to

Israeli settlement of Arab

Palestinian anger came as

Arab leaders across the Mid-

dle East condemned the US

Security Council resolution

that Israel was interested in Israel to reconsider plans to Bill Clinton, told CNN that

"From now on, resisting

settlements will not be

through words, condemna-

tion, or complaints to the

UN Security Council," Mr Ahmed Abdul-Rahman, gen-

eral secretary of the Pales-

tinian self-rule authority's

cabinet, told a rally in Gaza.

Introduced as speaking on

Mr Arafat's behalf, he said:

a new Jew

question US

role after veto

ment in occupied Arab east nate", as the settlement

abandon the cancer-stricken into life in South Kivu prov- try's ills. Mr Mobutu, once its African ince, Mr Kabila was genercrusader against commu- ally regarded as a puppet of the neighbouring Rwandan

His nprising was viewed



along on a wave of patriotic fervour. When Mr Mobotn returned from months of treatment in Switzerland for prostate cancer, he was welcomed et the airport by thousands of cheering sub-

The general expectation was the president would appoint Mr Etienne Tshise. kedi, the popular veteran opposition leader, as prime minister. Mr Tshisekedi would then make a deal with

is forcing us to decide

whether to be free and mas-

ters of our land or slaves of

The new settlement in the

south-east of the holy city

would block off the last

remaining corridor through

which Arab Jerusalem,

already nearly enclosed by a

wall of Jewish settlements,

could be linked to the West

President Hosni Mubarak

on Friday which called on talks today with President restart peace talks between peace.

"may explode the

In Damascus, Mr Faroug

al-Shara'a, the Syrian for-

eign minister, condemned

the US veto as a blow to the

credibility of the Middle East

peace process and an encour

agement to Israel to flout

Other Syrian officials

called into question Wasb-

whole peace process".

international law.

the Israelis,

When it became clear Mr. Mobutu was planning only to reshuffle the government, appoint a new army chief of staff and rap a few too-ambitions generals over the knuckles, the disappointment was immense. The president was later booed.

been adopted as the people's in the east, advancing rebels often capture towns without a shot being fired. Villag-

Since then Mr Kabila has

ers hide in the hush to avoid the desperate former Rwandan soldiers who are retreating westwards, leading a cowed population of exhausted refugees, then emerge to welcome the guerrillas as liberators. With the exception of the

killing dona between Rwandan Hotus and Tutsis, this has hardly been a war at all," says an aid worker. The fall of Kisangani, a

psychological turning point, is now universally expected and civilians yesterday began fleeing the town. Many of the foreign mercenaries stationed there have left, despairing of ever bolstering the resolve of the drunk and anarchic troops. In Kinshasa, diplomats say

central government is barely

with Jordan's King Hussein

Israel and Syria, broken off a

Syria has been trying to

persuade its regional allies

that this is the moment for a

new Arab summit, probably

in Damascus, to freeze any

further diplomatic and com-

mercial ties with Israel.

June'a Arab summit in Cairo

threatened a reconsideratioo

of all links with Israel if Mr

Benjamin Netanyahu, Israeli

premier, continued to colon-

arms and support his cause. Many analysts believe the fall of Kisangani will trigger a collapse in military morale and looting in Zaire's cities. In that vacuum, there could emerge a military leader ready to make a deal with

ernmeot and the presidency

of a UN peace plan, previ-ously rejected because it

failed to coodemn Zaire's

aggressors, is a sign of the

growing desperation over

the rebels' refusal to accept

Politicians and businesses

in Kinshasa have been send

ing emissaries to the rebels

to establish links with the

possible future power. Even

the army, locals say, is

wavering over a March 13

deadline Mr Kabila has

given them to lay down their

a ceasefire.

elections Zaire's foreign allies still cling to as a way ont of the current impasse. Some Zaireans believe the new chief of staff, General Mahele Liongo, wbo pot down army rioting in 1993, could be such a man. "It would be better if that happened before the presi-

the rebels and organise the

dent dies," says a former top official, who gives Mr Mobutu weeks rather than mooths to live, "Because once he goes, there will be

# Nynex changes

**By Richard Waters** in New York

Manhattan is running out of telephone numbers. To judge by the soul-searching this has provoked among some residents, you would think the very identity of New York Clty's most famous borongh bad been thrown into question.

At stake is the 212 area code, one of the best known in the country. Like Washington DC's 202 or Bostoo's 817, it is a mark of belonging for city dwellers, proof that they are closer to the heart of the action than those poor souls banished to the outer boronghs or suburban Naw Jersey.

Last week the local telephone company serving the city warned that some people might soon he stripped of their 212. There were simply too few new numbers to go around. Nynex said. A new area code would be needed to cope with demand for new lines by the end of next year.

This is the latest indication of the speed at which cellnlar telephones end other communications devices are eating up US telephooe numbers. Last year some Cbicago and Houston residents were deprived of their traditional 312 and 713 numbers, to considerable anguish.

Not so long ago the US was thought to have enough telephone numbers to last to the end of the century, according to Belicore, which runs the North American Numbering Plan, the area code system set up after the second world war.

The spread of devices such as fax machines and the Internet bas been so fast, thoogh, that new codes started emerging two years ago. By 2005 the number of codes in use will beve donbled to more than 300.

Prestige is often at stake as the bubbling discontent in Manhattan shows.

Yassir Arafat talks to journalists yesterday after a meeting "It's a sentimental thing," said Mr Nick Loboczero, e securities analyst who lives of Egypt, in Washington for ker" in its attempts to return in exchange for in Greenwich Village.

But there are more practical reasons for disliking

Small businesses face considerable inconvenience and cost each time the area code gradually he brought back is changed. And the value of into the fold to strengthen residential properties might well be affected, said Mr Ken Krasnow, a director at as he met Mr Ali Akhar New York real estate com-Velayati, the Iranian foreign pany Cushman & Wakefield. It is still unclear how the US veto as "a motive for axe will fall in Manhattan. [Arab and Islamic countries]

Nynex sees one possibility as a carve-up of the island, either along an east-west axis like 42nd Street, or a north-south one like 5tb

Another option - favoured by the company - is to let everyone keep their 212 number, and to start banding out the oew area code when the supply runs out.

# Weary Zaire awaiting its fate Anger as China 'tried rings the to influence US elections'

By Gerard Baker in Washington

The US Federal Bureau of Investigation has conclusive evidence that the Chinese government channelled money into the US last year in an attempt to influence the outcome of elections. eccording to a newspaper report published yesterday.

The Washington Post said the FBI warned six members of Congress last year that they had been targeted by China to receive campaign cootributions funnelled illegally through foreign corporations in the US.

Evidence of the warnings, apparently confirmed yesterday by at least one of those targeted, is likely to damage US-Chinese relations. It will also heighteo fears

over US national security and apark oew questions about the precise role of wealthy Asian-Americans with Chinese connections in raising large sums of mooey for President Bill Clinton's re-election campaign last vear.

Two weeks ago the Washington Post reported that the Chinese government had considered trying to buy influence in the US government through large cootributions, but yesterday's article claimed to provide the first concrete evidence that the Chinese had actually sent

money for that purpose. Mr Clintoo bas come under fire in the last few

his campaign for re-election was financed in part by large donations from some questionable sources.

The Democratic party has already been forced to return millions of dollars raised by several wealtby' Asian-Americans with Chinese

connections. Although the FBI had no comment on yeaterday's report, e spokesman for Senator Diaone Feinstein, a Democrat from California. was reported to have confirmed she was one of those who received an FBI warning. The other five members targeted were not ideotified.

Former White House officials denied knowledge of the warnings. Mr Leoo Pacetia, who was White House Chief of Staff at the time the warnings were issued, said: "1 certainly waso't advised of that. The president was oot advised of that and obviously this is something the Justice Department is investigating. Coogress ought to iovestigate, because clearly this kied of thing should not have happened."

It was not clear whether any of the mooey raised by tbe Chinese actually made its way into the finances of coogressiooal or presideotial campaigns.

Foreign government donations to political campaigns are illegal under US election law. The Chinese governmeet has decied any attempt to influence elecweeks over allegations that tions.

## Mexico acts on cash laundering

By Lestie Crawford in Cancun, Mexico

Mexico will introduce regulations this week to curb the laundering of drug profits through its banks and brokerage bouses. according to finance ministry officials.

The US State Department. n its annual international narcotics strategy report published last week, named Mexico as "the money laundering haven of choice for the initial placement of US currency in the world's financial system". It said the battle against money laundering was weakened by

Despite these concerns, the US certified Mexico as an ally in good standing in the international war against drug trafficking.

'eodemic corruption" in

Mexican officials denied the oew regulations were being issued in response to the report's criticisms. They said the rules were the product of two years of talks with the domestic financial

community, and were based on practices already adopted by the OECD, of which Mexico is a member.

From next year, Mexican banks, brokerage houses and a handful of large foreign exchange houses will be obliged to report all casb transactions above \$10,000. Financial institutions will bank regulators of "suspicious transactions", and to establisb procedures to detect money laundering.

The new regulations make financial institutions criminally liable for aiding and abetting money launderers. Banking officials, bow-

ever, admitted the new regulations would not affect the thousands of small foreign exchange bureaux, Which have mushroomed since currency trading was liberalised in 1989.

"It would be physically impossible to police all of Mexico's currency dealers, Mr Pedro Zamora, chief legal adviser to the National Banking and Securities Commission, said.

## "The danger surrounding us ington's role as "honest bro- refused to negotiate its ate Jerusalem". Infrastructure an impediment

ity. "But we do not want

Poor infrastructure is a key constraint on investing in the Middle East and North Africa, although the sector's mounmental needs offer one of the best opportunities for foreign investment in the region.

day exclusive negotiating This was the main conclusion of a London conference on investment which ended on Friday.

the two countries: trade has grown from nothing five years ago to \$500m last year. He would also encourage como Luciani, an executive at Italy's telecoms and medical equip-

phones in those countries where they According to Mr Meddeb, another 10 the sbortcomings of telecommunications, when access beyond the capital and other major urban centres is con-

The most serious insufficiencies in the region are in water, energy and transportation. The region's total infrastructure investment needs over

are evallable should not blind us to per cent would be funded by international financial institutions, leaving 15-25 per ceot - or up to \$50bn - to the private sector. Governments in the region have

arguing that Iraq - under

UN sanctions and excluded

from Arab ranks - should

Mr Shara'a remarks came

minister, who described the

the Arab front.

ise conquered Arab land and to rally their forces to liber-

en turning to the private sector in build, operate, own, and transfer schemes. Some transactions involving foreign partners are in train, including a 300MW-500MW power plant in Tunisia and another 8,000MW plant in

way proved foreign investors' interest but he urged nations to set up "e clear institutional framework" and ensure that investors were invited to participate in a competitive bidding proce less than half of the total needed.

#### Mrs Aliza Shenhar, Israeli the next 10 years were estimated, conmbassador to Moscow, said opportunities in countries on the Mediservatively, hy the conference at Mr Netanyahu's visit would terranean's southern and eastern rim. \$65bn-\$165bn. Other estimates put Egypt. belp promote trade between Mr Luciani said the projects under energy investment needs alone at up The effective availability of infrastructure on e per capita basis has Mr Radhi Meddeb, chairman of Combeen on a declining trend in the region for several decades now," said Mr Giaete Engineering in Tunisia, said the public sector would be able to fund

# Prescription drug sales advance 7%

By Daniel Green

Sales of prescription drugs in the world's top 10 markets rose 7 per cent to \$143.8bn last year, according to data published today.

The increase conceals wide variations between countries and medical areas, according to IMS International, the specialist pharmaceuticals industry market researchers. Sales advanced 8 per cent in 1995 and 1894.

The star performers last year were anti-depressants such as Eli Lilly'a Prozac and cholesterol-lowering agents such as Zocor and Mevacor from US company

Anti-depressants are included in nervous system drugs, which recorded a 14 Per cent year-on-year increase in sales to \$20,3bn. Sales of blood agents, which include cholesterol-

lowering drugs, rose 16 per cent to 27.9hn. From this year, IMS will

World pharmacy drug purchases January-December 1996 (\$m)

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ering drugs to the heart disease category. Heart disease drugs remain the biggest single category, but sales have grown slowly in recent years because of tough competition between drugs aimed at

lowering blood pressure. Heart drug sales last year rose 3 per cent to \$25.5bn, keeping them just ahead of digestive system drugs, where sales climbed 9 per

world's two biggest sellers. Zantac, made by Glaxo Wellcome of the UK, and Losec/ Prilosec from Swedish company Astra.

work little literational "Non-trouples market only ..... "Increase excluding constraint

include fast-growing Alds drugs but also antibiotics, where buyers are more priceconscious, saw sales rise 6 per cent to \$14.6bn. The world's biggest mar-

ter, rising II per cent to sobn, at constant exchange rates. The Italian expansion followed two years of slow or Anti-infectives, which negative growth due to government measures to control the drugs budget.

The UK grew at the same rate as the US, to £6.80n (\$11.1bn), but its market is smaller than those in Italy ket, the US, was also one of and France, which have simcent to \$24.6bn. Digestive the fastest growing. Drug ilar populations. French offics and respiratory drugs.

be switching cholesterol-low- aystem drugs include the sales climbed 10 per cent to drugs sales rose 2 per cent to \$60.2bn Only Italy grew fas- \$15.1bn. Germany remained Europe's biggest market with sales up 5 per cent to \$16.5bo.

The world's second bigges

market, Japan, recorded relatively slow growth of 3 per cent to \$23.3bn. Tokyo introduced mandatory price cuts in April - and will do so again this year - and winter's influenza seasoo was mild, hitting sales of antibi-

## 中国出口商品多易会 THE CHINESE EXPORT COMMODITUES the 81st Session Spring '97

Covering a total floor space of 160,000 sqm., the current Chineae Export Commodities Fair le divided into six apscialized exhibition halle, which are subdivided into 33 exhibition districts. The exhibits ers dieplayed under aix categories, i.e., Foodetuffe and Native Produce & Animal By-products, Light Industrial Products and Arts & Crefts, Textiles & Garmente, Metele & Minerels end Chemical Products, Madicines & Health Products, Machanical & Electronic Products. Thousands of Chinese foreign trede corporetione (enterprises), who are of good credibility end sound finencial capabilities, displey more then 100,000 verieties of commodities here.

For invitation application or further information, pleass directly contect Chine Forsign Trads Centre (Group) or the Commercial Counsellor's Offices/Sections of the local Chinese Embassies/ Consulates or Chine Trevel Service (H.K.) Ltd. and ite overseas

Businessmen from ell parts of the world ers walcome to the Fair. Time: April 15th-30th, 1997

Sponsor: Chinese foreign trade enterprizes Organizer: China Foreign Trade Centre (Group) Add: 117 Liuhua Road, Guangzhou, P.R. Chine Tel: 86-20-66676000 Ext. 67621, 67631, 66881864 Fax: 66-20-63335860, \$6\$65851 INTERNET HTTP: //WWW, CECF-GZ, COM

#### UK NEWS: BUSINESS AND EUROPE

What do medium-sized companies think about Europe? An FT survey finds support for a single currency, and even the social chapter, but there are significant reservations

# **Broad support** but doubts on the timetable

small to medium-sized businesses it is probably Mr David Ayres, chairman of Advance Tapes, a Leicester-based manufacturer of adhesive products.

Mr Ayres, whose company has annual sales of £22m, 50 per cent of which is in exports to the rest of Europe, broadly supports economic and mooetary union. He reckons it would make doing busis across the continent easier: "I don't see how we can have a common market without e commoo currency."

But Mr Ayres doubts wbether the individual economies of European Union members are sufficiently aligned to allow the project to proceed in 1999 as planned. He thinks it likely that Britain will wait before joining, probably

On the EU's social chapter, Mr Ayres senses the logic to Europeans having a common set of standards related to employment. The chapter is a broad framework for social and employment legislation which at present contains just two clauses - related to parental leave and works councils - but which many UK business people fear could be used as a vehicle to push through costly new regulations covering work processes. Mr Ayres believes Britain should not sign the chapter because "it is too all encompassing and I am against adding buge social costs as the French and Germans do".

Mr Ayres says a minimum wage, which could possibly be introduced as part of the social chapter, probably would not make much difference to his company, which employs 300 people, who are on an average annual wage of about £11,500. This is well above the figures that are being discussed for a possible UK minimum wage - according to many labour-market theorists, a "realistic" level might be £3.50 an bour, opportunity, since within the EU tool distributor, fears Britain which would equate to £6,900 for e

38-bour week. As for the overall impact on Britain of a minimum wage, Mr Ayres, like many industrialists, says everything would depend on the level it was set at. He would not object to a "sensible figure". which he puts at £6,000-£6,500 a year, because it would act as "a

Looking further shead, Mr Ayres says Britain should move closer to the rest of Europe. "Long-term development must good." come from a more cohesive

If there is one executive who Europe. I am not in favour of con-sums up the general view oo centrating a lot of power at West-

From a Financial Times survey of business opinion across Britain on European issues. Mr Ayres has emerged as close to "Mr Average" in terms of his views on these

In the study, 81 executives in a range of service and manufacturing industries, and with annual sales mainly in the range of £5m 500 people, have given detailed responses to questions on the UK'a future in Europe. Although most supported the principle of a single currency, many, like Mr for its implementation, with 44 per cent urging Britain to delay joining and a further one fifth saying the UK should never join.

Single currency. Mr Hugh Morgan Williams, chairman of Canford, a Gateshead-based manufacturer and distributor of audio equipment, says abandoning sterling for the euro would help his company's sales in the rest of Europe - which account for about 20 per cent of Canford's £13.5m annual turnover

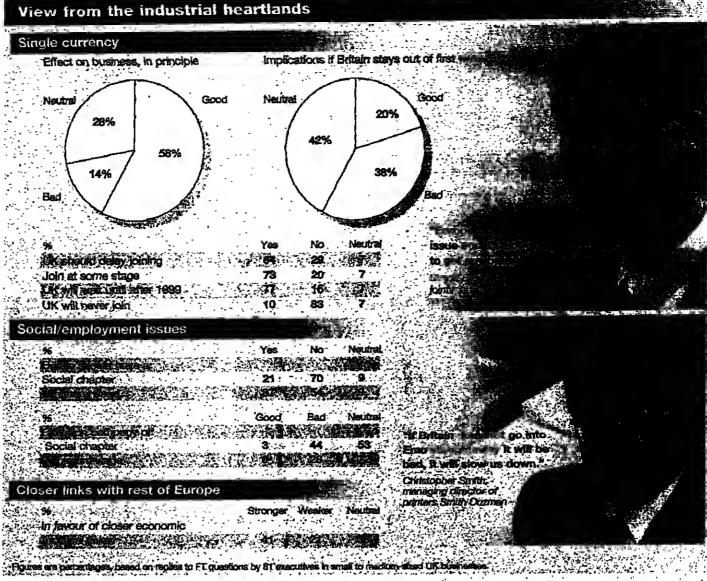
The pound's movement against other European currencies makes it difficult to guarantee prices to continental customers, says Mr

"If we exclude ourselves from the first wave lof a single currency] we will get a bad deal. The crucial thing about monetary union is the rate at which you join. Participate in the decision. rather than have it rammed down your throat.

Mr Andrew Brode, managing director and owner of RWS, a which employs 220 people in translation services and exports 70 per cent of its £12m annual sales, is similarly positive. Britain should enter Emu at the first NCMT, a west Loudon machine we've done badly out of being

late all the time". Many business people view the euro as a logical further strengthening of institutional links across

Europe. Mr Bob Hodgson, managing director of Pillans & Wilson Greenaway, an Edinburgh security printing company, says: "Our solution from Germany and work is associated with financial markets and anything that cements the UK's position as the financial capital of Europe is



Report written by Peter Marsh Michael Peel Richard Wolffe Roland Adburgham Chris Tighe James Buxton

Eighty one executives from small to medium-sized companies were interviewed. The companies, in a ranga of manufacturing and service industries, were selected to provide a spectrum of views from the business heartlands

director of Jordans, a Bristol-based business information company, and another single currency supporter, says: "Many of our clients operate internationally, as does Jordans, so wa would welcome any move that made that

On the implications if Britain were to be left out of Emu, Mr Nick Pickles, finance director of could be "sidelined". Mr Graham Wright, managing partner of Dickinson Dees, a Newcastle solicitors, says multinationals would be less keen to invest.

More sceptical is Sir Nigel Mobbs, chairman of Slough Estates, the property company. He frets about the "risk of a fudged France that could be bad for the overall business climate".

Mr Peter Tims, managing director of Flexible Technology,

Bute, says the UK should join union power used destructively. only when the "economies of participating states have been corted out - that could be well into the

next century".

Also urging a delay is Mr Neville Hall, managing director of HJ Sock Group, a sock maker in Hinckley, Laicestershire. He wants Britain to join a single currency in 2002 or later, believing the delay will not prove harmful providing the pound can be kept reasonably stable.

But there is a strong body of opinion saying Britain should stay out permanently. Mr Stephen Littlestone, managing director of Lititlestone and Goodwin, a Northamptonshire handbag maker and distributor, says bringing in the euro would add to EU "interference", while Mr Melvyn Booley, joint managing director of Ace Cleaning, a Lelcester office cleaning company, says: "There aren't any benefits. We'd lose control [of economic policy]." .

Social and employment issues. On tha social chapter, opinion is generally negative. More than twothirds of the people in the survey reckon Britain should not sign, with 44 per cent saying it would have a negative effect on their own companies. Just one fifth of companies think the UK should join the social chapter.

Mr Nick Kendal, managing director of Ekco, a Chesham-based packaging maker, says: "It would clearly be bad for our business [bringing] higher costs, reduced flexibility and more time consuming bureaucracy." Mr Roger Saul, chief executive

of Somerset based Mulberry, a clothes and accessories supplier. fears a social chapter could usher maker of printed circuit in restrictive practices and a 16 horses pulling in different Mr Stephen Curtis, managing, boards in Rothesay, on the Isle of potential return to the days of

Perhaps surprisingly, antagopism to the broad principle of a minimum wage is more muted. While 54 per cent of the people interviewed voice general disapproval, a sizeable minority of 37 per cent say a minimum wage would be good for Britain mainly on the grounds of guaranteeing a "fair" income for individ-

uals and curbing exploitation. Only 28 per cent believe a minimum wage would be bad for their business - with nearly three-quarters either saying that at the levels being discussed it would have no effect, or not giving an opinion.

Mr Ian Tritton, managing director of Capitol Catering, a contract caterer in Reading, thinks a minimum wage is an acceptable institution for a relatively rich country, while Mr Geoff Forster, managing director of Scientia, a Cambridge software company, says it helps the lower paid without placing too great a burden on

Closer links with the rest of Europe. Mr Matt Cooper, chief executive of Crabtree, a Gateshead machinery maker, demes he is "anti-European" but says he it is negative. fears handing over responsibility on interest rates to unelected officials at a future European central bank, with the UK parliament reduced to a "parish council".

Mr Kenneth Edwards, chairman of Ariel, a Leicester-based maker of industrial fasteners, is also not keen on stronger links, claiming the Germans are "arrogant", while Mr Michael Davies, chairman of Wooliscroft Tiles, of Stoke on Trent, says: "I like the theory of an integrated Europe, but it's full of cock-eyed ideas with 15 or directions.

continent, and closer in spirit

THE SOUTH

to the

Gateway

By Michael Peel

South coast companies representing many different for a single currency, as belits those at the gateway to the continent. "I don't look at my bust-

ness being in the south of Rugland but In control Europe," says Mr Peter Tyler, managing director of Fine Cut International, as engraving and printing con-pany based in West Sumer. "It is easier to get to Get many than to Leeds from

company's soles are in expects and hir Tyler looks rate stability a single ency is expected to tiring "I recently lost £60 on a of currency fluctuations.\* Mr Roger Greaves, ma ing director of R.P. Greaves a car transporting and accident repair business has in Dover, says he hope it extra costs his bushes incurs from exchange refinctuations will be be

per cent increase from on paint suppliers in Hollan because the pound strong," he says. -

cut the cost of moving city to the continent, he says We can buy tolls for th motorway now, but we don't know what the pound

Enthusiasm for a single currency among com directors in Dover am Brighton does not translate any more. "People in Britain into pessimism about was should not be so emotionally pects for a Britain outside

attached to the pound. The UK should foin up straightaway for the single currency - there are things about Europe that are not Box Company, a box make right, but Britain should change based in Dover, says tree them from the inside." The message from the survey to the European Union are well politicians mulling over the future of Britain within Europe is that the UK to maintain a mone the UK business world is more tary system independent o positive towards closer links than the single currency. "I think the implications are close There is general support of the zero if we do not join ideas behind the single currency. because of the UK's pattern But seen from the perspective of of trade," he says. ideas behind the single currency. boardrooms in the small to medi-

"Also the principles of the um-sized businesses that are the EU concerning tha free backbone to the UK industrial movement of capital and labour would have to be overturned for us to be mies sufficiently into line for Emu | affected negatively."

to take place on time appear huge. Mr Jukes is typical of From this perspective, it would be many of those surveyed it better to take a deep breath, and upposing the social chapter postpone the project until the ecowhile equivocating over the minimum wage. "The mini nomic background looks more mum wage is prescriptive and it will push people ou of work in certain sectors, he says. "But part of mi says there should be a mini mum wage and it should be higher than £2.50."

Ms Judy Liewellyn-Burke director of Walter Llewel lyn, a building company based in Eastbourne, sect the minimum wage as a use ful tool to force commanie operate on the same level at their competitors. "It would help to stifle the black econ omy, although it would increase our building cost as we would no longer be

labour," she says. But she finds it difficult to judge the effect monetary business. "I haven't enough information. Companies ar

THE MIDLANDS

## Exporters admit long-term benefits of single currency

sceptical view towards monetary union in Europe. Among the metal-bashers and component-makers of Birmingbam and the Black Country, opinions towards Emu have been formed largely by the fate of their export sales since

After sterling's abrupt departure from the European Monetary System in September of that year exports among West Midlands manufacturers became the driving force for economic recovery in the

The manufacturers of middle manufacturers bave wanted to plastics company, said: "How can England pride themselves oo their retein the freedom to use organisations survive in the world exchange rates and interest rates to win a competitive edge over

their continental rivals. But this year's sharp rise in the do with you? value of sterling has thrown a oew light on the single currency debate. While most remain highly cautious about joining the proposed first wave in 1999, most manufacturers admit that the long-term beoefits of stable exchange rates have become obvi-

Mr Keith Sansom, chairman of

when your fundamentals change by more than 20 per cent in less than e year, and it is nothing to

We have spent a lot of money investing in Germany, knocking out our competitors on the continent, with better attitudes to service and better products. A single currency would, on balance, be good for the very simple reason that it would allow us to plan better than we can now."

cent of businesses in favour of the principle of a single currency. But the region's manufacturers are highly doubtful that European politicians can succeed in delivering Emu. About 80 per cent are reported to be opposed to joining the single currency in the first

wave in 1999. Mr David Botterill, chief executive of the Engineering Employers Federation in the West Midlands. said: "My personal view is that there is some merit in not being better than we can how." in the first wave as long as we Surveys of manufacturers in the have a clear desire to play an region. As a result, many smaller BIP, the Black Country-based region now show about 60 per appropriate part in Europe and

"Manufacturers are concerned about the rise in sterling, although I do not think they are too worried about the absolute level. It is the rapidity of change that has caused the problems, particularly for those who developed their exports substantially over

the last four years."

Nevertheless, Midlands mannfacturers are highly suspicious shout the wider impact of a single currency, particularly the extra social costs they may face under the EU social chapter. Mr Mark Swaby, chairman of Europe."

Brasway, the hose fittings company based in Wednesbury, said: paying very low wages to want stability of exchange rates but it has to be at the right level. But what concerns me much more is all the employer costs of the full social chapter that would hit us under monetary union.

For all this, many believe it is essential for Britain to keep up the strongest links on trada and

that if the single currency can be

sensibly managed then that is the

way forward. Mr Tom Dean, man-

aging director of Ercol, a furni-

ture maker in High Wycombe.

says: "We're reliant on the rest of

Europe in so many ways. I think a single currency is inevitable."

Mr Hermann Hauser, an Aus-

trian who was a founder of Acorn,

the Cambridge-based computer

company, and has started about

20 new high-tech businesses in

Cambridge, says he used to worry

about the Austrian schilling being.

no longer an important interna-

tional currency - but he does not

economy, the practicalities of get-

ting individual European econo-

propitious.

them from the inside."

"It would just make us less competitive. We now employ a few people in France and there is a noticeable difference in the amount of costs we have to pay as an employer in France - and they are by no means the worst in never sent any details by

THE NORTH

# Fears of European state shape objections to deeper integration

Many industrialists in northern England see negligible benefits in a single currency. "I don't think it's essential for us," says Mr Malcolm Greenhalgh, managing director of Shaw Valves, a Huddersfield-based manufacturer of valves for the chemical industry.

Show has annual sales of 22.5m. 55 per cent of which is exported, and has suffered from the strong pound over the past year. But Mr Greenhalgh does not support monetary union because a large proportion of his exports go to countries outside Ешгоре.

He sees Britain as sufficiently robust economically compared with the rest of Europe to operate outside a single currency. "There might be a situation where this country can operate in other markets." he says. "If we moved into Europe politically we would be joining in to help other people out of the mire."

'I have great sympathy for the minimum wage and I understand the need for it in some areas' David Subsliffe

managing director

Yorkshire and Merseyside were generally sceptical towards further European integration "We don't need a single cur- ter."

rency in manufacturing business in the UK," said Mr Simon Broad- bination of nationalistic reasons hent joint managing director of and worries about the costs of Broadbent, a manufacturer of closer integration. Mr David Ben- would become impotant after centrifuges and industrial nett, director of Bennett Safety- monetary union. Some were



"Europe is a huge fudge issue

and it's not going to get any bet-Others were opposed for a com-

Business people surveyed in machines also based in Hudders- wear, a Liverpool-based maker of opposed because it meant giving protective clothing, expressed this most succinctly when he a European central bank said: "We don't want to end up paying for all of Germany's old age pensioners."

Many service companies

up control of monetary policy to

We will end up with successful areas in Europe and areas of huge poverty," said Mr Michael Burns, managing director of thought national governments BWD Rensburg, a Leeds-based a third of my staff."

Others thought adoption of a saw a danger of exploitation in observe mutual standards."

state. "I don't think we envisaged the major questions we are now for it in some areas," said M being asked when we joined the David Sutcliffe, managing dire European Community," said Mr tor of Benson Turner, a spinning Nicholas Wainwright, managing director of Boodle and Dun- Bradford. thorne, a Liverpool-based manufacturer and retailer of jewellery. Wa are a very independent people and don't want to ba employers.

Although most companies opposed the social chapter, they were sharply divided on the subject of the minimum wage. "It would ruin the business," said Mr Gordon Bates, managing couplings, thought Britain should director of Bates and Co. a wool and yarn spinners based in Hud-

anyone. Four pounds could affect the EU," he said. But many of those interviewed

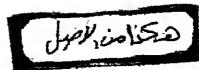
common currency would lead the absence of legislation. "I have inevitably to a single European great sympathy for the minimul wage and I understand the nee and dyeing business based in

> Most of those in favour deeme a level of about £3 an hour to b sufficient to tackla unscrupulou

Tha odd Euro-enthusiast die make himself heard. Mr Tou Robinson, managing director 0 Robinson, managing director.
Flender Power Transmission: Leeds-based, German-owned sur plier to the UK of gearboxes am sign up to Emu at the earlies opportunity. "If we don't jour opportunity. "If we don't jour will be distancing ourselves from will be distancing foundations o opportunity. "If we don't join wi Three pounds wouldn't affect one of the main foundations o

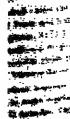
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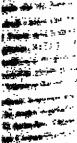
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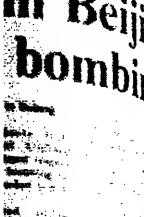


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Merrill Lynch on joining the single market.

> Far-sighted European companies know that the real competition now lies outside Europe: in the global market. That's why so many of them are joining forces. But it takes more than common cause to make a successful merger. It takes an ally with intimate knowledge of companies and markets. Awareness of what global competitors are thinking. The intelligence to spot opportunities. And the ingenuity to make them happen. When you're preparing to take on the world, worldly wisdom can make all the difference.

The difference is Merrill Lynch.



But the committee says in sympathy with others in this breaches an ILO convendispute under a 1981 law.

# Labour faces row on union law

By Robert Taylor, **Employment Editor** 

A future Labour government could find itself on a collision course with the Genevabased Internetional Labour Organisation unless It agreed to change UK employment law to protect trade union and worker rights. It is also likely to face an early showdown with the Trades Union Congress because Labour said last night it did not accept the

At present Labour is not

Backing

beer glass

Beer drinkere are being

short-changed with frothy

pints containing less than a

full measure of their favour

ite tipple, according to the

opposition Labour party. This week Labour will

announce its backing for a

law requiring pubs to totro-

In a bid to win the votes

of serious beer drinkers.

Labour will pledge its sup-port for glasses able to bold

more than a pint, but with e

line at the top to show

where the froth should stop

The move comes as the

Campaign for Real Ale

(Camra), a group which pro-

motes interest in traditional

beers, prepares to release a

survey by trading standards

officers today showing that

80 per cent of Britain's pubs

The Brewers and Licensed

Retailers Association, the

trade group of brewer-

owned and independent pub

chains, opposes mandatory

use of oversized glasses. It

says the legal definition of a

pint is unclear. Its own stan-

to be 95 per cent liquid.

serve short measure pints.

and the beer begin.

duce overstzed glasses.

for a

bigger

By Norma Cohen

committed to reform of legislation passed by the ruling Conservative perty since 1979 to weaken trade union power, although it agreed to restore union freedoms lost in 1984 by staff at GCHQ the government intelligence gathering centre.

A report by the ILO committee of experts - the inner group responsible for dealing with complaints about infringements of labour standards - for this June's ILO conference is dismissive of the UK government's position over GCHQ.

By George Parker,

Mr John Major's plans to

announce the general elec-

tion date this week suffered

another setback yesterday,

with the defection of the deselected Tory MP Sir

George Gardiner to the Ref-

erendum Party led by finan-

The prime minister hoped

to launch an extended elec-

tion campaign this weekend at the Tory Central Council

rally in Bath, but the ruling

party has been rocked by a

Sir George, a long-standing

advocate for a referendum

Europe, said he had received

on Britain's future in

series of embarrassments.

cier Sir James Goldsmith.

While welcoming the move to allow staff to establish an association, it regretted the staff federation formed had not been free to organise without state interference. But the ILO committee has

also drafted criticisms of existing UK union laws that Labour is not specifically committed to repeal. Under a 1992 law, trade unions cannot discipline members refusing to take

action". The committee said the part in lawful industrial action or who try to per-suade members to refuse

tion that trade uniona

financial penalties) to decide

members who refuse to com-

sions to take lawful indus-

perticipate in such

which to launch an election

the prospects of Mr Major

approuncing the start of a

six-week campaign this week

were "rapidly receding". The

prime minister is now expec-

ted to postpooe announcing

a May 1 election for several

Major, was deselected by

party activists from his con-

stituency in January, yester-

day he said be would contest

the seat for the Referendum

Party at the election.

Sir George, a critic of Mr

Tory Central Office said

campaign.

should have the right (with- take industrial action in out the threat of serious relation to matters which affect them even though, in whether or not to discipline certain cases, the direct employer may not be party to the dispute," said the ILO. ply with "democratic deci-And it criticised the UK trial action or who seek to for legislation enabling employers to discipline stri-king workers. "The commit-

"Workers should be able to

persuade fellow members to

tee has todicated this raised a serious issue in the case of UK was breaching an ILO dismissal if workers could convention preventing work-ers taking industrial action only obtain damages and not their reinstatement." Tory defection hits poll strategy

> been given an indication that he could avoid the judgment by agreeing to a lesser penalty. "It was suggested that if I agree that I had acted without due skill, care and diligence, I could avoid being

attacks

**Barings** 

Mr Ian Hopkins, the former

head of treasury and risk at

Barings, the merchant bank

that collapsed two years ago

from derivatives trading

losses of £830m, yesterday

strongly criticised his treat-

He said that the Securities

and Futures Authority had

acted "morally indefensi-

The SFA is expected to

announce this week that be

has been banned from work-

ing as a manager in the City for three years as not "fit and proper" to be the direc-tor of a securities firm.

Mr Hopkins said he had

declared not fit and proper.

That is not something that should be bargained about,"

"It seemed to be my call

whether I was declared fit and proper, which is

He said he would not

make a formal appeal against the SFA's judgment, in spite of disagreeing with

Mr Hopkins, who refused to attend an SFA tribunal

senior managers at Barings

of weaknesses in the hank's controls before its collapse,

A declaration of being

"not fit and proper" is

among the most serious

sanctions that can be made

by the SFA. Other senior

managers of Barings have

avoided such declarations in

The publication of the rul-

ing against Mr Hopkins will

bring to an end SFA pro-

ceedings against eight of the

nine former Barings manag-

ers who faced action after

udgments on them.

the bank's collapse.

but was ignored.

be said.

ment by regulators.

ruling

By John Gapper, Banking Editor

sit in the House of Commons

The switch will boost Sir

James's party, which has recently suffered almost invisible coinion poll ratings "I find it very difficult to and desertion by some of its MPs are about to "go down find a Conservative MP who own candidates.

the pan with an almighty thinks they are going to win flush" is hardly the most the election," ha told the helpful background against BBC's On the Record television programma. "John Major might think they are going to win, but be's about the only one. Tory seats are going to go down the pan with an almighty flush when the election comes." Sir George will continue to

as a Referendum Party MP until parliament is dissolved. but has no plans to back the opposition Labour party in crunch votes.

#### that heard his case last year, argues that he warned

## **Prugs industry warns of decline**

By Daniel Green in London

university Decrepit laboratories are undermining the UK pharmaceuticals sector, the drugs industry warns today in an election "manifesto The "failure to modernise"

is already damaging research collaborations between companies and universities, it says.

The Pharmaceutical Industry Council, which includes representatives of foreign as

"severe problems arising from the current erosion of the science base in terms of infrastructure and equipment, and the lack of practical skills of many of the new science graduates",

Sir George Gardiner: now a Referendum Party MP

from Tory MPs since

His prediction that Tory

announcing his defection.

The complaints may receive a sympathetic hearing from politicians in spite of the high profits the indusentists and technicians are employed by the top 20 drugs companies, and drug funding "more focused". well as UK drugs companies exports exceed imports by

and distributors, Identifies £2bn. The UK's biotechnology sector is second only to that of the US. According to the mani-

[university] funding by gov-

ernment must be reversed". It also urges government to promote sharing of hightech equipment between company labs and universities; for children as young as try makes; about 20,000 sci- five to be encouraged to take science courses; and for the research councils to make In addition.

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nate the collection of National Health Service data on the effectiveness of differfesto, the "real decline in ent treatments. Drug company executives are convinced such information would demonstrate that higher drug consumption could cut costs elsewhere in the health service.

government should co-ordi-

Wider prescribing of cholesterol-lowering drugs could, for example, cut the number of heart attacks that require costly intensive care UK NEWS DIGEST

## **Directors** warn against Emu

The UK has "nothing to gain and much to lose" from participation in a European single currency, the institute of Directors will announce today. The view of the employ. ers' lobby group's comes as a survey showing most UK fund managers expect European monetary union to be postponed from its proposed January 1999 start. Mr Stephen Davies, the Institute of Directors' economic

esearch executive, said UK base rates were likely to be lower than in countries that adopted the sure provided the UK achieved price stability. He also said the UK could suffer even outside a single currency if Emu started prematurely and went badly wrong.

#### **■ EDUCATION**

#### Lib Dems pledge £10bn

Mr Paddy Ashdown, the Liberal Democrat leader, yester. day claimed his party could turn political orthodoxy on its head and succeed at the election by promising higher taxes to fund better public services.

Addressing his party's spring conference in Cardiff, Mr Ashdown set out details for a proposed £10bn (\$16.8bn) increase in investment in education over the lifetime of the next parliament, funded by a 1p rise in moome tax. "If you don't think giving these children a chance is worth an extra 45p a week, don't vote for us," he said.

Mr Ashdown accused the opposition Labour party of "timidity" and failing to accept that Britain could only be transformed if voters were confronted with unpalatable. truths on public spending.

#### WORKING HOURS

#### Employees fear damage to health

One in three UK employees believe their health has deteriorated as a result of working long hours, and a quarter think the number of days they will take off work due to illness will increase over the next few years, according to a survey published today by Watson Wyatt, the international employee benefit consultant.

The findings are based on a survey of more than 1,200

employers and employees in UK manufacturing, service and retail companies.

"Absenteeism is a timebomb," said Mr John Casell, nead of the healthcare consulting practice at Watson Wyatt. "If the pressure on employees' time continues to rise, the cost to the UK of staff sickness can only get

#### INNOVATION

#### Boot could prove a winner

Damon Hill, the racing driver, might want to give up on his Arrows-Yamaha racing car and try a pair of Formula One boots instead. Hill's car failed to start at the Grand. Prix in Melbourne yesterday, while his rival David Coulthard - owner of a pair of boots made using tyres from Formula One cars - finished well ahead of the pack.

The novel boot is the brainchild of Mr Paul Dooner, a 33-year-old entrepreneur who is also about to launch a range of children's footwear manufactured by Clarks, this shoe retailer. Claiming to have been road tested at 200mph, the range will also have soles made from used Formula One Grand Prix tyres. Peggy Hollinger

International Conference about

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# Then Mr Lars Windhorst, a 19-year-old Ger-

man entrepreneur unknown in Vietnam, said a year ago that he was going to build a 55-storey office block in central Ho Chi Minh City, no one took

him seriously.
Estate agents said his plans for the \$140m building, which would be the tallest in Vietnam and one of the highest in south-east Asia, were the height of folly in a market as small as Vietnam.

Mr Windhorst, who built up a successful computer business in Germany and was asked by Chancellor Helmut Kohl to join a business delegation on a trip to Asia last year, says: "From the beginning, this project was publicised too much." He claims to be looking

beyond present market con-ditions. "I think the real kick for Vietnam will be in the next four to five years. Then it will be strategically very interesting to have such a project," he says. Windhorst Tower - which

has yet to secure financing and government planning approval – will not be open for tenants until after 2000. In the meantime, developers face a grim short-term outlook. Ho Chi Minh City is suffering from a buge oversupply of office space and downward pressure on rents. as investor confidence in Vietnam has ebbed.

According to Brooke Hillier Parker, the property consultants based in Ho Chi Minh City, total available stock will reach 176,614 sq m by the middle of this year, up from 65,800 sq m in 1996. Much of that stems from five big office developments that are coming on stream.

Office rents have dropped by 15-20 per cent in the past year to between \$35 and \$40 per sq m. In Hanoi, the capibetween \$40 and \$45 in the same period. "If someone's coming into

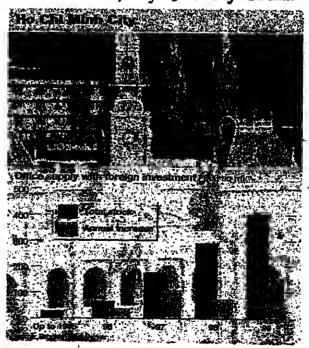
the market now I'd say: 'don't hurry', because the market's going to be well supplied for the next five take up office space has been years," says Mr Simon Allen, chief representative of Brooke Hiller Parker. In the early 1990s, when

foreign capital, Ho Chi Minh City and the industrial belt of foreign investment. The dict their space requirecity still accounts for about ments, so making a commita third of nationwide in- ment even six months ahead

# High-level investment

THE PROPERTY MARKET

Plans for a 55-storey building in Ho Chi Minh City do not yet signal a revival in foreign interest in Vietnam, says Jeremy Grant



vestment pledges of \$24bn. That prompted the arrival of a wave of developers mostly from Hong Kong, Taiwan and Japan - aiming to supply a fast-growing city with international-standard office space.

At the time, the strategy semed sound. No new building had been done since 1975, when North Vietnamese tanks and troops overran what was then Saigon. The tal, prices have fallen to nearest thing to commercial premises was the former US embassy, a 1960s structure occupied by the Vietnamese state oil company.

. However, the number of new investors arriving to well below expectations. Some larger companies notably consumer product manufacturers and banks ~ Vietnam opened its doors to are cautiously increasing operations, but not at the anticipated rate. "People surrounding it drew the bulk find it very difficult to pre-

is tough," says Mr Allen. He says he has commitments for 5 per cent of Saigon Trade Centre, a 34storey, 43,000 gross sq m office tower five minutes' walk from the Saigon River. Only one tenant, Chubb of the US, has moved in.

There are added difficulties. Given the lack of freehold title in Vietnam, developers have been unable to finance their projects through debt, relying instead on equity and offshore parent company guarantees. There is, therefore, added urgency to maximise returns, and developers are not yet prepared to risk cutting rents.

As for prospective tenants, they are unwilling to commit themselves in advance, because construction delays mean that developers often fail to meet scheduled completion dates.

Resigned to a difficult period shead, property analysts hope the market will recover in three to four

years. Vietnam plans to open a stock market in the next three years, and the exchange would be located in Ho Chi Minh City, the country's commercial captal. That would bring an influx of foreign financial services companies and possibly other investors in its

The present developments are "the first big splash of property on the market. But the stock market and insurance companies expanding will be a key factor in the next cycle," says Mr Alastair Orr-Ewing of property contional, which is marketing a 10,000 sq m office tower m3 the grounds of a recently completed five-star Marriott -

Mr Richard Whybrow, manager of property consul-tants Jones Lang Wootton's Ho Chi Minh City office, says local companies may be able to afford premier office

space in due course.
"Everyone's thinking from a foreign occupier's point of view. There's increasing demand from local compa-nies, although it's difficult to gauge," he says. One local bank, Vietcombank, is an : investor in the property being marketed by Jones Lang Wootton.

oma developers see more immediate promise in the retail sector, which has lagged behind commercial property. Consumer spending is rising fast and the city's annual average per capita income is the highest in Vietnam at \$1,500.

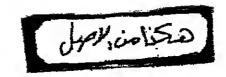
Mr Allen of Brooke Hillier Parker says, while it shows: promise, legal obstacles remain. Foreign retail companies are not yet allowed licences to operate indepen-

"We're advising clients to look at leisure in order to anchor the retail side, and with the retail targeted at young Vietnamese." Asian investors have

already started to make inroads. Pei Yeuh, a Taiwanese company, has plans for a \$450m retail and entertainment complex, near the city centre, known as Saigoo

Happiness Square. Even Mr Windhorst appreciates the value of diversification – the original plans for Windhorst Tower have been changed from office

Idia Expertis



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**VENTURE CAPITAL •** by Tony Tassell

# Risk business lures entrepreneurs

Foreign private equity funds look for high yields from Indian listed and unlisted firms

From Nairobi to New York, the diaspora of Indian entrepreneurs has made a significant mark in international

In the country of their descent, a rising number of internationally-backed private equity and venture capital funds are boping a growing population of domestic entrepreneurs will deliver a similar performance.

Despite widespread concern over the level of the risk and regulatory constraints in investment in unlisted companies in India. more than \$1.3bn bas already been committed to the country through about 39 private equity funds. according to the Asia Pacific Private Equity Bulletin.

Industry observers say about half of this has been raised in the past year and plans are under way to raise at least another \$400m.

Compared to more mature markets, the amount raised by the nascent and low-profile Indian private equity market is modest. It is substantial, however, compared to the total of just over \$7bn that has been poured into Indian equities by foreign institutional investors since the subcontinent was opened up to them in late 1992.

The rise of private equity funds in India has come despite deep ambivalence about the risk/return ratio on such investment, even from within the industry.

The "bulls" in the industry say the quelity of indian entreprenuers is equal to anywhere and returns on investment will be more than commensurate with the level of risk. The more sceptical point to the litany of risk factors in India.

The difficulty in assessing these arguments is that un has yet heen around long married." enough in the country to establish a track record in

what is a long-term industry. Perhaps the most significant risk factor is what some fund managers politely refer to as cultural differences. The more frank among them simply call it lack of trust.

Even among india'a top 100 companies and industrial groups, many international fund managers say they have difficulty listing more than about 20 that fall into the vague definition of "trustworthy".

The slew of corporate scandals that are a frequent feature of india's business press and widespread scepti-cism over the reliability of published accounts do not help to inspire confidence "Trust is the biggest prob-

lem of the lot," said one foreign private equity fund manager who spoke on the condition of anonymity, as did other sceptics on the industry. "The only answer is to be

exhaustive in your checks and due diligence on the company you invest in." Another fund manager

said there was little concept of the rights of minority shareholders in many Indian companies. He said many companies are dominated by exercising absolute authority over their "fiefdoms" with little accountability.

"The concept of management as stewards of a company does not really exist in most Indian companies," he said, adding there is often a conflict between familial and corporate responsibilities.

We live in fear of the day a daughter of a promoter (a

**Electricity** generation

New telephone nos

Crude oil

internationally-backed fund controlling shareholder) gets

Other fund managers argue the trust factor has been overplayed. Mr Hemant Lnthra, chief executive of Barings Private Equity Partners India, said: "As in other countries, there are some companies you can trust and some you cannot. It is just e matter of doing your homework to track down the ones you can.

Mr Pratip Shah, chairman of Indocean Venture Advisors, added: "Indians are commercial people. If they realise it is in their interests to be more transparent they will change. There are just so many excellent entrepreneurs in India that meet the highest standards of professionalism, competence and

Despite this optimism, there are doubts within the industry about the opportu-nities in India for private equity funds. In the "bull run" of the

Indian stock market in the early 1990s, which came to a sudden end late in 1994. there was little discrimination about which companies It is generally conceded

that even spurious compa-

nies could manage to float

on the stockmarket. This means a large proportion of the small- to mediumsize companies that form the backbone of the private equity investment industry elsewhere are already listed. There are more than 7,800 listed companies in Indie compared to ebout 1,700 in Tokyo and 540 in Hong

Every fund wants to make an investment in each company of about \$3m to

5.0

-112

342 ...

7.4

0.3

24.5

8.5

19.3

44.0

Growth rates of selected infrastructure secto

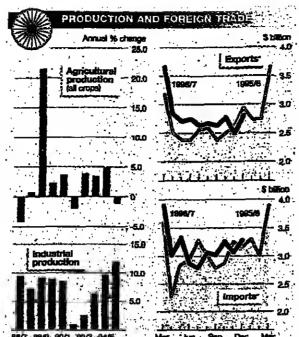
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8.5

-8.1



\$5m and this should not comprise more than 10 per cent of its equity. However, there are just not that many companies out there of this size which have not already been invested in, and many of the remaining ones are bad." said Mr Andon Tandon, director of broker Inves-

in response, many private equity funds are choosing to invest in listed companies. Many of these companies are not too disimilar to unlisted ones with little trading or liquidity in most stocks.

Mr Luthra also said a significant opportunity for private equity funds in the future may be in strategic or supportive stakes in India's family industrial houses which are facing the first real prospect of hostile bids following the introduction of a new takeover code.

Any opportunities are subject to regulatory restraints. investment by a foreign private equity fund requires initial approval from the Foreign Investment Promotion Board and the Reserve Bank of India (RBI), the

83 . 99

9.0

23.3

1995-96" 1996-97" (Apr-Nov) (Apr-Nov)

11.6.

32.5

.34

-10.0

8.3

country's central bank. RBI approval has to be gained again when the fund actually invests into the com-

Exiting an investment entails tackling similar hurdles. RBI approval is required to sell any investment in an unlisted com-

automatic if the sale price has been confirmed by two independent valuations.

Even with a listed company, there are doubts about the ease in exiting an investment given a lack of liquidity in the Indian stockmarket for all but important

However, fund managers hope that the regulatory process for private investment will become increasingly streamlined by the first time a foreign fund exits from a

"There already has been a

lot of progress and that trend will continue over tha next few years," said Mr Mr T. Thomas, chairman

of indus Venture Management, also argues the returns justify the risks in the Indian privete equity

He said even after taking into account a measured depreciation of the rupee and tax, investors should expect a return of at least 18 per cent over a five year

NATIONAL SECURITIES DEPOSITORY • by Tony Tassell

# End of the paper chase in sight

will bring benefits to India's

notoriously slow share markets

The headquarters of India's first share depository in the heart of Bombay's ageing textile mill district still appears to be under construction.

It is a fair reflection of the progress of the National curities Depository since it tentativaly started operations late last year to bring paperless share trading to India.

Faw can doubt the long-term impact of tha depository. It is widely seen as one of the biggest structural reforms of the country's capital markets since foreign invastment was allowed in domestic shares nearly four years ago.

The National Securities Depository is offering investors an alternative to India's notoriously slow and antiquated settlement system for trading based on the physical transfer of share certifi-

This system has been one of the most significant deterrents to foreign investors in the past. It can often take months to receive physical delivery of shares and investors frequently face the threat of forged, faked or stolen share certificates.

The start-up of the depository is expected to cut transaction costs and see the high premium of global depository receipts over underlying domestic shares decline over time as liquidity increases.

Mr R C Bhave, NSD managing director, said the depository had intentionally made a cautious start to its operations.

"We will build up our operations steadily," he said. would take at least two to three years before the depository would be operational to "its fullest extent".

There are currently 10 companies available for trad-

Electronic trading ing through the depository and shares in a further 17 are being prepared for dematerialisatiun (the conversion of paper certificates into

alectronic records). Mr Bhave said initial trading had largely been focused on three scrips · Reliance Industries, Industrial Credit and Investment Corp of India and Indian Petrochemicals Corp. Volumes had been of token amounts.

"People are still testing out the system, building up their confidence in it," he

The number of scrips available for trading is expected to increase to 50 by July. This number would then be progressively

The depository, which is a joint venture between the National Stock Exchange and domestic financial institutions, has dematerialised

> People are still testing out the new system, building their confidence

about 20m share certificates

Mr Bhave said talks were under way with Unit Trust of India, the country's largest fund manager and a shareholder in the NSD, for dematerialisation of part of its Rs550bn (\$17.5bn) investment portfolio. These should be completed within a couple of months and should in the pool of dematerialsed certificates.

The NSD has also attracted 18 "participants" which will act as agents for its services, Mr Bhave said. These include all foreign custodial agents ective in India such as Citihank, HongKong Bank, Morgan Stanley, and Standard Chartered as well as domestic institutions and some bro-

By July, the number of depository participants is expected to expanded to about 30 to 35.

Brokers suggest there will be strong demand for depository stocks given the risks and delays of physical settlement and because they will not attract stamp duty, as paper-based trading does This is likely to translate into a pricing premium for depository stocks over other

scrip.

Mr Bhave said the initial premium had been a small 1-2 per cent hut this was likely to increase as larger parcels of dematerialised stock are traded. As the pool of dematerialised stock increases, investing in the remaining physical certificates will become more risky as the proportion of bad or fake scrip will be higher.

drawing retail investors into depositing certificates with the NSD, Mr Bhave said

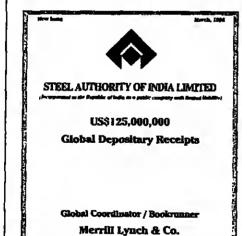
"The retail response has been very encouraging as it has come through largely by word of mouth," he said.

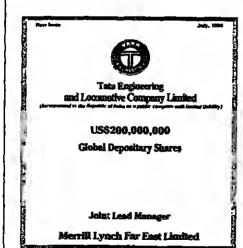
Brokers, however, said most retail investor response is likely to be slow because of a reluctance to declare equity boldings to tax authorities. Investors may also face higher capital gains taxes if, as is the case with the depository system, they are unable to specify which particular shares in their holding of a company will be

Institutional reaction is likely to be quicker to the depository, which marks a further step by the NSE to modernise the Indian financial market since its formation three years ago. The bourse, now the largest in india by trading volumes. has also introduced electronic trading and a clearing corporation to guarantee counter-party risk.

The pace of the development of the NSE in its short life has take the market by surprise. Many observers helieve the NSD may continue that performance.

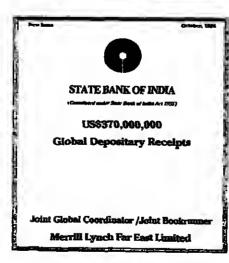
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# INVESTING IN INDIA

Mark Nicholson assesses the effect of Finance Minister Mr Chidambaram's daring lower-tax, high-growth budget

# Gleam of light in the blackout

Half an hour after Bombay's stock market closed an ebullient 5 per cent higher in trading immediately following last month's lower-tax. high-growth budget from Mr P Chidambaram, finance minister, the lights went out. Power supply bitches blacked out power for several bours in swathes of Maharashtra, India's most

industrialised state and much of Bombay, state capital and the country's finan-The power failure was

symptomatic not only of India's looming power crisis but also of its chronic infrastructural shortfalls. Indeed, a slump in power output, up just 3.4 per cent this year against a 10 per cent rise m demand, along with a 10 per cent fall in domestic crude oil production were among the chisf contributors to lower industrial growth this year, which fell by 1.9 percentage points to 9.8 per

It is with such deep-seated hindrances to supply in India's economy that Mr Chidambaram's daring sopplyside budget must contend. But few could quibble with the finance minister's courage - or political acumen in producing from within an ideologically-diverse, but generally left-leaning, 13party coalition government a judget so roundly praised by

By cutting income taxes by 10 per cent across the board, corporate taxes by 8 per cent to 35 per cent, modifying the minimum alternate. tax introduced in his earlier budget to exempt export earnings, slicing a slew of excise duties and knocking 10 per cent off India's maxi-

mum tariff to 40 per cent, the aim is to give a Reaganomic-like push to economic growth. It was also an attempt, at a stroke, to align Indian tax rates with those of its Asian neighbours.

"It really is a signal to the world that we are now among the countries, particularly in Asia, with the best structured tax systems." saya Mr. Rakesb Mohan, director of the National Council of Applied Economic earch in Delhi (NCAER).

The finance ministry'a het is that the tax-cutting impulse will spur nominal growth this year of 15 per. cent of GDP while, they believe, keeping inflation to around 6-7 per cent and delivering real growth therefore of around 7 per cent, the average for the past three

The ministry is also expecting the lower taxes to boost government receipts. both by a bigger tax haul through spurred growth and higher tax compliance in a country where only 12m of its 950m citizens are registered tax payers. Mr N.K. Singh, revenue secretary. admitting that the budget contains "certain risks" in this regard, nevertheless is banking on a gross 16 per cent rise in tax receipts.

This will be necessary if the government is also to meet an anticipated 15 per cent rise in spending, much of it made with a political eye on pleasing the United Front's (UF) rural-dominated constituency. Spending on basic services, rural credit schemes, food and fertiliser subsidies are all to rise. Defence spending is up and the government is also swell-

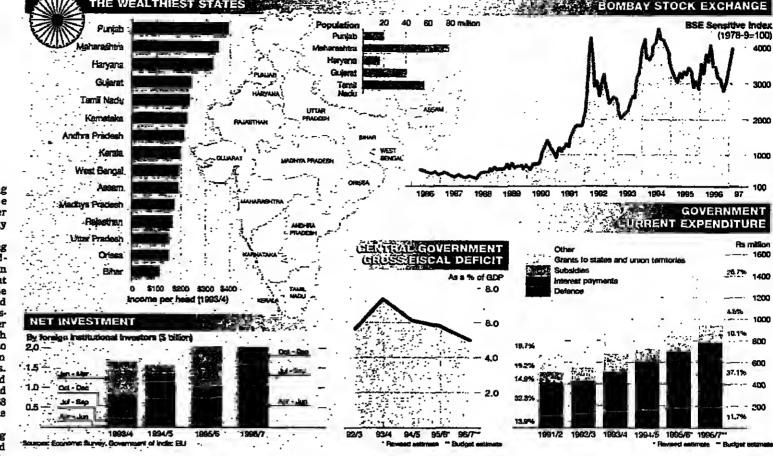
ment salaries, allocating Rs40bn (\$1.1bn) on the recommendations earlier this year of India's fifth Pay

It was largely by rolling over this allocation, budgeted for but left unspent in his preceding bodget, that Mr Chidambaram was able to surprise his critics and announce he had met his fiscal deficit target of 5 per cent of GDP, even though the government had failed to earn an expected Re50bn from state asset divestments. This roll-over, combined with an exercise to cut and rationalise spending on 168 programmes also saved the exchequer around Rs25bn.

Pledging "unwavering commitment" to continued fiscal rectitude, Mr Chidam baram has set himself the goal of a further cut in the fiscal deficit next year, to 4.5 per cent of GDP. He has also tightened the constraints on the government's ability to monetise its deficit by announcing an end by April on the use of "ad hoc" treasury bills, which the government has otherwise been able to draw on tap from the Reserve Bank of India, the central bank, at an interest rate of 4.6 per cent.
The target is ambitious,

and heavily contingent on hitting expected growth rates. However, the government can this year count with more confidence than last on recouping a budgeted Rs48bn from divestment proceeds, particularly if the Indian share market, last year's flatness of which was an impediment to state asset sales, sustains its new postbudget levels.

A disinvestment total ing the allocation to govern- approaching the budgeted



two big issoes stalled last year and expected to go ahead this year: one by VSNL, the state-owned international telecoms company. and another by Indian Oil Company, the state refining

company. In addition, the Disinvestment Commission established by the UF sooo after its election victory last May. has recommended divestment of shares in three further state companies, with sales expected to take place

this year. Mr Chidambaram said he expects the commission to make further recommendations every month and finance ministry officials may privately expect to exceed the budgeted Rs48hn

Overall, Mr Chidambaram's budget was widely hailed as a fillip for reforms and helped dispel some of

sum could be raised by the and restiveness among foreign investors over the pace of India's five-year-old economic liberalisation programme

The budget was also seen

as politically adroit, offering the UF's political opponents little to complain about. The mercantiliat and Hindu nationalist Bharatiya Japata Party, parliament's biggest party, could find little fault with the tax cutting. Congress, whose 142 MPs sup-port the UF "from outside", were unable to criticise the

budget either as being "antipoor" or of stalling the reform programmes its own previous government began in the throes of economic crisis in 1991. Nevertheless, as some crit-

ics pointed out, the budget left some pressing issues unaddressed, while also indicating that, notwithstanding the brave tax cuts, the UF government may still the recently growing doubts lack the courage to grapple

with some of the more politically sensitive legacies of Indis's socialist past. These include moves to reform labour lawa, thorough reform and privatisation in the state monopoly in insurance and real vigour in restructuring and commercialising inefficient goliaths such as ONGC, the state-run upstream oil company. Indian Railways or Coal

producer. "The bodget gave very strong signals to the world that we are going ahead, says Mr Moban of NCAER. "But we are still not tackling some of the structural reform issues to do with the financial and public sectors."

High on the list was deeper reform of the insurance sector, which Mr Moban, in the compendious Indian Infrastructure Report he produced earlier this year, had argued must be tackled with "some urgency"

to belp produce the pool of long-term funds oeeded to finance big, long-term road. power, telecommunications and urban infrastructure projects. "Obviously what has not been taken up is our strong recommendations for insurance reform," says Mr Mohan. Instead, Mr Chidambaram

allowed only "selected" foreign and private participa-India Limited, the state coal tioo in insurance through joint ventures in bealth insurance.

The government also baulked at raising controlled petroleum product prices. despite the subsidies in the sector leaving an uncovered bill nearing \$4.4bo. Those expecting first moves towards a timetable to phase out administered fuel prices altogether were also disappointed - a move without which there can be little bope of the necessary invest-

ment in refining. Mr Manmohan Singh, former finance minister and an architect of India's original liberalisation, said that "all the euphoria" surrounding the budget would soon dissipate unless the government bad the "nerve" to tackle the petroleum subsidy deficit.

Mr Singh, whose reformist ambitions were also stalled by opposition within his own Congress party government towards liberalising insurance, freeing oil prices or wider privatisation moves, suggested that, for all the present government's talk of conseosus" surrouoding economic reform, a "heightened sense of common destiny" was still politically

The evideoce of the past two or three years suggests that the will for the further outstanding reforms to dismantle burdensome inefficieocies inberited from

Continued on page V

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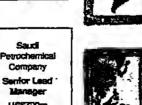
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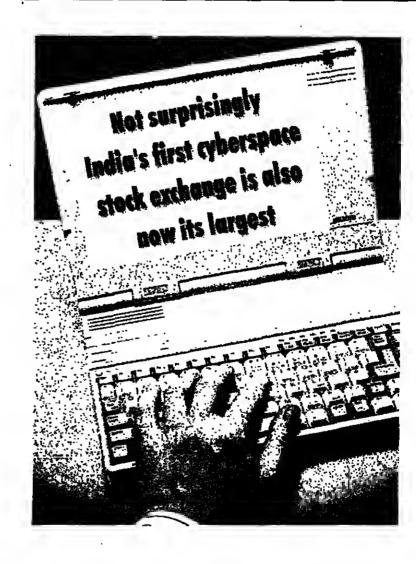
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locations monitored 24-hours a day, giving millions of eager investors a ringside seat. (Complete, with a 24-hour helpline for trading members). No wonder It has won the best IT users award. Equally important NSE has backed its geographical spread with an equally unmatched network of service. It's subsidiary, NSCCL, is India's only clearing operation that guarantees financial settlement and offers dearing operations in India's four large metros. NSE is the only exchange in India to offer depository trading and settlement, NSE offers you a unified single market. Log on. And discover the power of India's largest stock exchange.



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NON-RESIDENT INDIANS • by Tony Tassell

# Foundations for a bigger presence

After a cautious start, Japanese companies are showing increased interest

Japanesa husinesses may have looked more sluggish indeed Korean and Singapoean, rivals in responding to India's five-year-old economic opening. But Mr Kazuo Ishii, executive director of Jetro, recently offered such competitors an interesting comparison. "Take the case of Vietnam," he said. "America was the number one investor and Japanese investors were slow in coming. But now we are occupy-

To underline Mr Ishii's moves, Matsushita, another point, the remarks were made at an engineering by Jetro. This brought 135 big and medium. Delhi and was, he says, the presence anywhere in the world in the last five years.

In terms of Intended investment into India, Japan US, the UK, and even Israel. as a direct investor. Total approved investments house, with an eye to a 50 between 1979 and 1995, at per cent joint venture. Rs283hn (\$7.9hn), place Japan fourth after that trio with a modest 4.8 per cent share of the total. Actual

ence indicated, corporate India into its sights. "Now companies," says Mr Tsuyoshi Koizumi, director of operations in India for Mitsubishi, the trading house. 'Many Japanese companies than their US. European, or are very interested at this moment in the Indian mar-

ket. It's just started moving." Indeed, Mr Koizumi says Mitsuhishi expects to increase considerably in the next few years the \$25m it already had invested in 13 joint ventures in India across a swathe of the trading house's interests, including a joint venture with Hindustan Motors to produce its Lancer passenger car. Among other recent

of the big trading houses. has just announced plans to tioning and washing machine factories, Honda said last month it plans to produce 30,000 of its new City cars a year by 2000, from a new \$240m factory just outside Delhi, Toyota, its auto rival, has said it is committed to entering the talks with Kirloskar, the diversified Indian business

Meanwbile, Nomura recently became the first with what are essentially Japanese financial institution to dip its toes into the

Manufacturing industry (74,6%) 176 (Fotal number of Investments) Real estate/ branch offices 

plans to buy a 40 per cent stake in UTI-Securities, part of the state-run Indian mutual fund company. Bridgestone, the tyremaker is completing a new plant in Madhya Pradesh. Fujitsu, which already has a computer hardware and software joint venture with ICL, its UK computer company, has completed a new plant in a second tie-up with Optel, the Madhya Pradesh state electronics group, to manufac-

Though the scale of Japanese investment may be set to increase, it is being built on foundations laid earlier. Many big Japanese companies have long been in India Mitsnbishi, for example, has roots predating 1940. Since the mid-1980s, Suzuki has held a half share with the Indian government in Maruti, the carmaker which, Suzuki 800cc, 1000cc cars and jeeps, holds more than twothirds of India's passenger

car market.

Meanwhile, Japanese groups including Honda, Suzuki and Kawasaki have, through longstanding joint ventures with Indian partners, put their brand names on about 40 per cent of the motorcycle sold in India, 13 per cent of the scooters and 30 per cent of the moveds. Not all tha foundations, however, have proved firm

for Japanese investors. Several big carmakers, such as Mazda and Toyota, came unstuck with joint venture in the truck market in India. where the higher cost of their generally small-scale operations found them soundly beaten off by local suppliers, such as Telco, the auto arm of the Tata group. Mazda's Indian truck opera-tion, for example, made its first profit only in 1994, a decade after tha initial

Jatro officials and Japanese executives cite this as complex market than they

ON-LINE TRADING • by Kunal Bose

one of a series of reasons why the opportunities provided by India's economic liberalisation and industrial deregulation in 1991-92 werenot greeted more enthusiastically by Japanese companies. Others include the fact that Japan was in recession at that time - and the closer lure of its "tigerish" neighbours was more immediately

"In the recent past, Japa-nese companies have been occupied in Asean countries, China, and Vietnam, which had opened up before India," says Mr Ishii.

But while Japanese executives suggest that the prospective size of India'a market has compalled them towards expansion in India, they have also tuned in quickly to the tempered sentiment of US, British and other earlier investors. Many of these have found deregulated India, for now, a smaller, tougher and more

# Frustrated diaspora

Expatriates would gaining approvals for projects. The Chinese governlike to play a bigger role in developing the economy .

"We thought the market

was 150m people," says Mr Kimihiro Itoki, husiness

developer in India for Sony, which last year opened a wholly-owned \$16m manu-

facturing unit in Haryana

state. "But actually, tha number of people who buy

In particular, with much

of the accent of recent Japa-

as electronics and cars, com-

panies are taking a very long

view. Honda, for example, says it has few illusions

already ventured, and where

others including VW and

ers in the same market in

the same period," says Mr Yoshiaki Nakamura, Hon-

da's marketing director in

India. But, he says, unless

Honds invests now, it can-

not hope to bring down com-

ficiently, through a phased

programme of localisation.

to make its cars competitive

Regional exchanges such

as Ahmedabad, Calcutta and Coimbatore think that they

will be better placed to face the competition from NSE as

a result of inter-connection

with the Bombay Stock

network. "CSE will be meet-

ing on March 26 to take a

final decision on the link-up

with BSE. Ahmedabad's alli-

Bangalore. Mangalore.

Hyderabad, Indore, Baroda,

Bhubaneswar and Ludhiana

are exploring the possibility

of inter-connectivity among

challenge cama when the

stock market was going

through an inordinately long

the presentation of the fed-

that the stock prices have

started rising and the vol-

ume of husinass has increased."

eral budget on February 28

"Unfortunately, the NSE

by early next century.

There are too many play-

Hyundai are set to follow.

Vietnam or Malaysia."

branded goods is much smaller, perhaps the size of A curious but influential new caste has amerged in India over the past 20 years - the non-resident Indian or NRI, part of an extended sumer goods industries, such diaspora around the world estimated to number 15m-18m people. For the Indian economy.

the NRI - sometimes wryly ahont competing in an translated to Not Really increasingly crowded car Indian or Not Respected market, into which Ford. Indian - represents a signifi-General Motors, Daewoo, Peugeot and Fiat have cant and under-exploited pool of investment funds. Government officials estimate the assets owned by \$130bn and \$200bn, but their level of investment in India over the past five years has been less than 1 per cent of

In contrast, overseas Chinese have played a very important role in China's ponent and vehicle costs sufeconomic success over the past 10 years, accounting for the majority of Inward

investment inflows. With it, Inevitably, the Indians have not invested to will grow, too. Soma bright the same extent as their Chispark ought to consider setnese counterparts are as ting up India's very first suchi restaurant right now. many and as varied as there are factions In the highly-politicised and sometimes fractious NRI business commu-

> Lord Paul, head of the Caparo international steel group, says that when China reopened its doors to overseas Chinese, there was virtually no significant business community left in the country. In contrast, he says India has a well-established, politically-connected business community, some of whom had vested interests in opposing the entry of

industrialist, Lord Bagri, chairman of the London Exchange on-line trading Metal Exchange, adds that while tha Indian diaspora may be large in number, the number of successful Indian industrialists is still small. Overseas Indians have been says. ance with BSE could be the model for us," said Mr De. more successful in profes- Mr Ram Buxani, the The stock exchanges in sions and at the middla level Dubai-based president of the

wealth of up to about \$5m munication with the governhut the number owning ment. He also argues nomilarge business groups is small, compared with the Chinese," he said. "Even those with private wealth bear phase," said Mr Suchanti. "It is only after and a few million dollars to spare tend to invest in areas such as shares, property and deposits."

Another commonly cited deterrent to NRI investment Indians, whether they reside is the attitude of the Indian abroad or in India," Mr Hingovernment and delays in duja says.

ment has been much more receptive to overseas Chinese than the Indian government has been to oversees Indians," says Lord Paul who unsuccessfully tried to take over two Indian companies, Escorts and DCM, in the early 1980s.

According to Lord Paul, it is virtually impossible to gain approvals quickly for large industrial projects in India without resorting to corruption. He says the gov ernment needs to show a investment by speeding np the implementation of projects, not just announcing policies to do so. "There needs to be less talk and more action," he says.

Lord Bagri agrees, arguing that although initial clear-ances can be obtained relatively quickly, projects canthen be tied up in knots by delays in secondary clearances for such things as water, power and port facilia ties. He also believes corrun-

tion exists in India but argues that this is certainly not exceptional in other Asian countries.

Mr Srichand Hinduja, trucks to trading husiness house, says his group has faced many delays to carrying out a high-profile plan. announced two years to invest \$6bn in a variety of Another prominent UK projects around India.

Mr Hinduja says government policy should be amended so projects are awarded to investors with all permissions and clearances frustrations and delays," be

ness, he suggests.

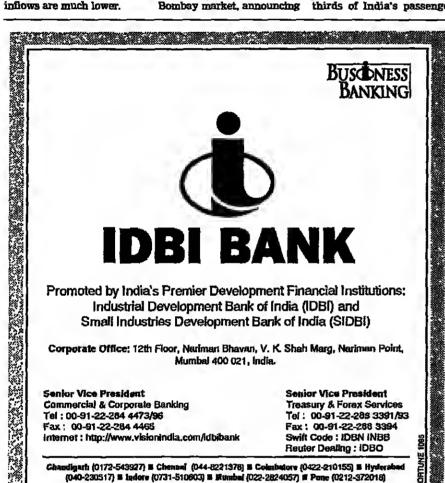
"There is a large pool of to boost NRI investment overseas Indians enjoying inflows is to improve comnees should be appointed to parliament to represent the interests of overseas Indians, many of whom still hold Indian passports but cannot illician in elections.

Discrimination against NRIs is also resented. "All Indians should be treated as

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Financial Times

# Regional exchanges fail screen test

National Stock Exchange has proved popular with investors

exchanges - with the exception of Bombay - have been experiencing difficult times since trading in shares on the National Stock Exchange (NSE) began on November 4, reports SEBI has criticised

individual investors, many of whom had complained of tha previous lack of transparency in stock trading.

NSE quickly emerged, therefora, as the preferred

exchange in the country.

"The regional exchanges have themselves to blame for the sharp fall in their daily business turnover. They refused to respond to the investors' demand for computerisation of trading, trade guarantee and quick settlement. The investors were looking for an alterna-tive to the regional exchanges which they found in NSE," said Mr Ajit Dey, a former president of Calcutta

Stock Exchange. CSE has been repeatedly pulled up by the Securities and Exchange Board of India (SEBI), the regulator, for its failure to modernise its trading system. According to Mr D.R. Mahta, SEBI was

had taken too long in introd-ucing screen based trading. "The brokers of the shorter settlement period will lead to a further fall in the volume of business. But this has not happened in other centres. It is in the interest of the brokers that CSE keeps pace with the forward looking exchanges," he

sory for all stock exchanges to introduce computerised trading by March 31, 1997. According to Mr P.K. De, secretary of CSE, which is investing Rs240m (\$6.69) in an on-line trading system, it has begun screen based trading with a limited number of shares. "The system will April 4. The new trading system will allow us to reduce 14 days to seven days," said

SEBI has made it compul-

However, only about 500 of investment needed to con-"Our members are supposed exchange's computerisation paid us Rs50m and they have pless trading has also begun told us they will pay the bal- on NSE," said Mr Dey.

The computerised ance amount in instalments," said Mr De.

CSE, which was the last among the hig regional exchanges to modernise its trading system, has seen a big fall in its volumes of business. Mr De admitted that there is very little trading which leads to delivery of shares, with only about half a dozen shares actively traded on the exchange.

In some of its recent model for us," said Mr De. SE for its failure to curb Screen-based trading on excess speculation. SEBI the NSE had long been does not think that CSE is sought by domestic and for- doing enough to stop kerb eign institutions as well as trading after the official trading hours.

Mr Dey has promised that most of the problems that afflict CSE today will be overcome once it goes fully on-line. But to find favour with investors again, it must create a clearing corporation, and ensure that buyers are not stuck with bad deliveries and that payments are guaranteed.

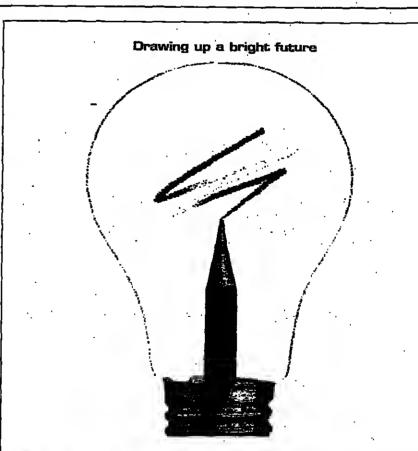
The regional exchanges in the southern parts of the country went on-line well ahead of Calcutta, but NSE has still taken away the major part of their business. Mr Navin Suchanti, managing director of Pressman Securities, which is a member of both NSE and CSE. said that most of its clients had said that they wanted their business to be done on is much smaller than or other exchanges.

"Trade guarantee and res olution of all disputes relating to transactions within 21 days have put NSE well ahead of other exchanges,"

With the fall in volume of business on CSE, the list of companies asking for delisting of their shares is increas ing. The other regional exchanges are also facing the same problam. SEBI rules require that companies making a public issue of on the local stock exchange but the primary market is so depressed that not many new companies are making share offerings.

For most exchanges new share listings are infrequent therefore. Some of the exchanges such as Madras cover all other shares by and Cochin have been forced to sell properties to shore up their finances, while CSE the settlement period from has been drawing on its reserves to pay for tha

"NSE, which offers trading the nearly 800 members of facilities at 72 locations in CSE have gone for on-line the country, has taken the trading. Business over the wind ont of ragional last couple of years has been exchanges' sails. By March so bad that many brokers 31, NSE will open 28 more are unable to make the trading centres. NSE has creatad regional clearing nect to the CSE system. houses in Delhi, Calcutta and Madras with the central to contribute Rs100m to the clearing house in Bombay. It has put in place a national budget. But they have so far securities depository. Scri-



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INVESTING IN INDIA III

22

E Star Line

Loosening constraints on the debt market will attract foreign investment

Foreign investor interest in the Indian debt market is set to take off in 1997. While foreign institutional

investors (FIIs) have poured more than \$7bn into Indian market. equities since they were allowed into the country in 1992, they have only been token participants in the domestic debt market.

Foreign investor appetite issues on the international market, despite FIIs being allowed to invest up to 30 per cent of their funds under. management in debt.

This situation is likely to combination of regulatory changes and the continued development of the market. Recant moves by tha

indian government to allow Fils to invest in gilts and to set up mutual funds dedicated to the money market rupee, Indian five-year govhas already generated a

strong response Three foreign debt mutual funds, to be managed by J about Henry Schroder Bank, Ches-cor and Credit Suisse, have rate. already been granted the gohead, and permission for a fourth to be set up by HSBC was imminent at the time of going to press.

for a further nine funds according to officials with the market regulator, the Securities and Exchange Board of India.

Analysts say this may only be the start of things to come. The potential for further growth is clear for a debt market which already ranks as the largest in Asia after Japan and Korea in terms of primary issues.

Much of India's huge capital needs in the coming vears will have to be financed through foreign

In infrastructure development-commissioned report extended periods and then estimated the country will dropping suddenly.

require investment of about of this investment will be externally-financed

At the same time, the appetite for India's highyield debt paper among foreign investors is also growing as highlighted by a couple of racent landmark issues on the international

Industries, the petrochemicals to textiles company. became the first private sector company in Asia to maka a 100-year bond issua. In for Indian debt paper has another innovative deal, been largely restricted to Indian Petrochemicals made a convertibla bond issue which used a bank guarantee to obtain a higher debt rating than tha sovereign

ceiling for India. Mr Aashish Pitale, head of change fast in reaction to a debt research at fCICI Securities, said the high yields of Indian debt paper ware expected to drive foreign investor interest.

He said that after taking into account a 6 per cent annual depreciation of ernment bonds with a yield of about 13.5 per cent would offer investors a net return about 140 basis points above the six-month US\$ Libor

Mr Pitale said the attractiveness of such an investment is highlighted by the fact that a similar investment in Indonesia would Applications are pending yield a net return of about 80 to 100 basis points above Libor, despite the fact that Indonesia's credit rating is

> yields seen on Indian paper will attract a lot of foreign interest." he said.

level of risk. Analysts say the depreciation of the rupee remains a concern. Suggestions are that the rupee would depreciate against the dollar by an average of 6 per cent a year and that movement could be "lumpy" with the currency ment alone, a recent govern- remaining steady for

next five years. The report not hedge against this risk estimated about 15 per cent onshore. If no hedge is found offshore, then foreign investors have to take a "naked exposure" if they take up

omestic debt shapes up

Indian paper. Lack of liquidity in the secondary debt market has been a long concern for foreign investors, although this is picking up. Despite the size of the primary market, Last month Reliance the secondary market has been long dormant with domestic institutions rarely trading their portfolios, They prefer to keep debt paper in

their vaults until maturity. Trading in the secondary market was hit by the Bombay Securities scam in 1992. Traders were found to be siphoning off funds from the interbank money market to

and saw bank treasury man- Rs10bn. agers adopt a risk-averse, conservative trading stance.

Daily debt turnover on the National Stock Exchange, the country's main bourse for screen-based debt trading, has now recovered to around Rs3.5bn (\$100m), still only a fraction of the total market size of Rs3,000bn (\$85bn) but more than douhle the turnover this time last year.

This activity is about onethird of the total secondary debt market trading, most of which takes place over the telephone between market participants.

Mr . Shekar Satha. vice-president at broker Kotak Mahindra, said daily

Due to government regula- invest in equities. The scam turnover on the NSE is \$115bn to \$180bn over the tions, foreign investors can- triggered a regulatory crack- expected to grow over the down on speculative activity next few years to at least

> required to increasingly mark their deht investment portfolios to market, valuing them in their accounts at current market values. This was expected to encourage them to trade further.

> No clearing house exists yet for debt securities for corporate or public sector based on the physical delivery of securitias with no

He said banks were being

There remain, however,

companies, although the Reserve Bank of India acts as one for government paper. Settlement is still

Complex and differential

other constraints for foreign investors in the debt market. another deterrent for foreign debt depository set up.

Sectoral real growth rates (%)

	OLD OFFI	Article Feedulings of the profession year						
Industry	1985-90	1902-03	1983-04	1894-85	1985-961	1996-97*	1992-97	
Agriculture and allied sectors	3.4	6.1	3.6	4.6	-0.1	3.7	3.6	
Industry	7.5	4.2	6.8	9.4	11.6	8.7	8.1	
Mining and quarrying	9.0	1.1	2.0	6.1	7.0	1.7	4.0	
Manufacturing	7.7	4.2	8.5	10.2	13.6	10.6	9.4	
Electricity, gas and water supply	9.5	8.4	7.1	8.6	9.1	4.2	7.5	
Construction	5.2	3.4	7.3	7.5	8.8	7.4	7.3	
Services Trade, hotels, transport and	7.4	5.5	7.3	7.5	8.8	7.4	7,3	
communication Financing, insurance, real	7.1	6.3	7.5	10.0	13.3	9.4	9.3	
estates and business services : Community, social and	6.3	4.6	10.5	7.1	4.0	6.3	6.6	
personal services	7.3	5.0	3.9	3.8	6.2	4.9	4.7	
Total GDP at factor cost	8.0	5.3	6.0	7.2	7.1	6.8	6.5	

Source: Economic europy, government of India

rates of withholding tax and fixed income at broker Perehigh stamp duties on debt grine India, said foreign transactions have also inhibinvestment in the debt marited foreign investor interest ket was currently capped to in the debt market. A lack of \$1.5bn by a ceiling on extertransparency in the secondary market due to the high March proportion of telephonehased trades has been

nal commercial borrowings in the current fiscal year to He said, however, the RBI may announce an increase

in the cap in its six-monthly

statement on credit policy in

mid-April together with possible other reforms of the debt market

Mr Johri added that the future direction for foreign investors in the Indian debt market is clear.

"We expect much more activity from foreign investors in the next 12 months,

PRIVATISATION . by Kunai Bose

# tate ownership begins to lose favour

Funds are no longer available to keep once cherished

lossmakers going The Marxist-dominated Left

Front, which throughout its 20 years period of power in West Bengal has been a champion of state undertakings, has gone through a metamorphosis: it has conceded that there is no way tha government can continne to pay for the losses lower than India's. that the state corporations "We think tha kind of regularly incur, and in

On the flip-side, the yields on Indian paper reflect a

charge of a portfolio of two industries, including engineering, shipbuilding, pharmaceuticals, chemicals and agro products, has the support of Mr Jyoti Basu, the octogenarian Marxist chief minister, for the policy of inviting the private sector to partner the state governunits. "We are offering

Calcutta-based Indian Cham-

units should be scrapped and

warns that potential buyers

will need the assurance that

downsizing will be allowed

make the unions see reason,"

majority holdings to the private sector. In fact, we will be quite flexible about the ownership pattern if tha credentials of private parties are right," he said. August last year it handed able to find buyers or joint over Damodar Slag & Cement to ACC, India's largsector partners for several of its undertakings is a matter of some doubt, however. The

Defending the sale decision, Mr Mrinal Banerjee, minister for public undertakings and a trade union leader, admitted that the state was not able to mobilise funds and managerial resources to turn around the cement unit despite its potential, given West Bengal's position as a net importer of the material.

est cement group,

a spokesman said. in neighbouring Orissa. Mr Banerjee, who is in

decided to privatise 11 perenprofit-making and 20 loss-making units in a variety of sector units and has warned that undertakings, for which there are no takers, will be wound up.

According to Mr Sidhartha Pradhan, additional secretary to the department of public enterprises, the Orissa government bas decided to reduce budgetary ment in reviving the sick support to state undertakings so that more money is available for social sectors, such as health and education. The accumulated losses of state undertakings are more than Rs4.3hn (\$119.8m).

The state government will Whether the state will be not, however, attempt the privatisation of five chronically lossmaking undertakings which are engaged in promoting new ventures or providing essential services, such as transport.

ber of Commerce says some The Road Transport Corporation has been told, however, that it must reduce manpower by at least 1.500 at others. "We hope the govon the basis of last come ernment will be able to first go, and a cabinet subcommittee headed by the deputy chief minister has warned that if the working tha state government has of RTC does not improve in scope for expansion.

a year then its "liquidation would become inevitable" The government has also decided to spin off several of its profit-making units into

joint ventures. "The expan-

sion of such units will

Mr Nikhil Johri, bead of

hecome easier if we offer equity to private parties," said Mr Pradhan. According to Mr S.B. Mishra, additional chief secretary to the Orissa government, the cahinet bad decided that some of the subsidiaries of the profitmaking

Orissa Mining Corporation and Industrial Development Corporation would be turned into joint ventures. This would optimise capacity utilisation and ensure full advantage was derived from investments already made in

IDC has received 36 bids in response to its offer of a 51 per cent stake in IDCOL Cement which owns a 1m tonne plant and rich deposits of limestone. All the large cement groups in the country, as well as Blua Circle of tha UK, and Thai Petrochemicals want control of IDCOL Cement which offers good

Orissa abounds with mineral resources and several vatisation, the Congress(I) multinational corporations may want to exploit these, "They could become partners of OMC," said Mr Prad-

The principal concern of the administration is to ensure privatisation moves are conducted in as transparent a manner as possible. For this reason, the state has engaged the services of some of the country's leading merchant bankers to make a valuation of tha units identified

for privatisation. Orissa's reform of the power sector, which led to the disbanding of the notoriously inefficient State Electricity Board, and the creation of three separate agencies for the generation of coal-fired and bydroelectric power and distribution of power is seen as the

model for other states. Orissa Power Generation placement. Hydro Power Corporation and Gridco will also follow the same route.

To make a success of prigovernment in Orissa needs political consensus. Fortunately, the disinvestment process was started by the earlier Janata Dal government which sold a chargechrome plant to Tisco, the country's second largest steel group, and handed over three sugar mills to private companies on management

contract basis. Gujarat, one of the country's most industrially developed states, which started the disinvestment campaign at the state level, is now going further hy implementing a partial disinvestment from promotional agencies such as the Industrial Investment Corporation and State Finance Corporation.

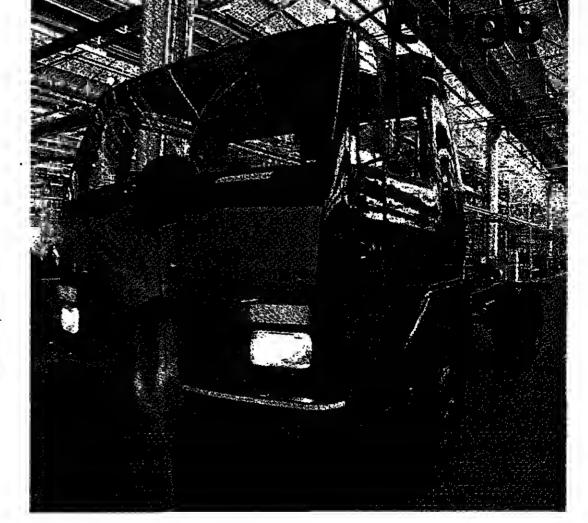
Uttar Pradesh, the country's biggest state, saddled with a large number of sick public sector units, is likely bowever, to make little prog-Corporation, which owns ress with privatisation, two thermal units of 210 MW owing to the lack of conseneach, is to sell 25 per cent sus among the political parequity by way of private ties. The government bas had to withdraw some sale offers even after the buyers had been chosen.

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(G) Ashok Leyland

A harsh message reaches Mr Cap

#### 🖥 manuele Gazzo was always going to be a hard act to follow. Jouranalist and commentator. he knew all the movers and shakers in Europe, from Jean Monnet and Walter Hallstein to Etlenne Davignon and Jacques Delors.

For more than 40 years, the diminutive Gazzo was editor-inchief of Agence Europe, still the best daily digest of Euro-news for Brussels correspondents. He also wrote a column famous for its passion and pro-European convictions. Reading Gazzo every morning was a sbort cut to discovering what was on the mind of the

When Gazzo died in 1994, he was succeeded by Ferdinando Riccardi, a fellow Italian and collaborator since 1958. Ably sup-ported by Gazzo's identical twin a reduction in spending for mandaughters, Riccardi has continued Agence Europe's tradition of delivering the oews in a flat, objective style. Not for Ferdinando the cut-and-thrust of the Anglo-Saxon school - until last pockets through generous income

## week, when he wrote a two-part

column about Europe's common agricultural policy which broke almost every taboo in the

The Cap budget, wrote Richad been bloated well cardi, beyond its needs as far back as 1988, when Jacques Delors secured German backing for a huge increase in EU spending. Billions of Ecus have been wasted on farm price supports; fraud has exploded; and unjustified hand-outs to farmers have escalated.

"A second revolution is on the aging the market," he wrote. Riccardi stressed that he was not attacking farming per se, only the policies which allowed some large landowners to line their

#### DATELINE

Brussels: Europe's agricultural policy has recently been attacked in print by a journalist in a way which breaks every taboo, writes **Lionel Barber** 

supports when market prices for example, in cereals - are as

The background to Agence Europe's intervention lies in a brilliant negotiator in the Gatt power struggle inside the Commission between traditionalists

to spendthrift policies and tighter budgetary management.

The Cap accounts for more than Ecus 40bn (\$45bn), almost half of annual EU spending. The farm lobby's official residence in Brussels is Directorate General VI inside the Commission. It is headed by Guy Legras, a French-

man known as Mr Cap.
Legras runs the 800-strong directorate with an iron hand. He is also said to have a hot-line to Paris and the French cereal barons. Hence the joke inside DG VI thet there are two directors for cereal policy: one the official nominee, the other Legras.

In the Delors era, Legras reigned supreme. He also proved

fresh concessions on farm export subsidies. But times are chang-

Legras, with the rest of DG VI. has suffered from the after-effects of mad cow disease. With hindsight, his insistence on preserving confidence in the market may have short-changed consumers who risked contracting BSE from contaminated beef. President Jacques Santer has since stripped DG VI of responsibility for consumer safety and handed it to Emma Bonino, the flamboyant Italian commissioner who han-

Second, DG VI is feeling the blast of competition in the shape of Erkki Lilkanen, the up-and-coming Finnish commissioner. A former finance minister. Lilkanen is determined to budgeting.

dies fish and humanitarian aid.

struggling to keep the Cap intact which many had thought impos-and reformers calling for an end eible when France demanded in the Commission. That means matching the budget discipline in the member states, all of which are racing to meet the Maastricht targets for economic and mone- prices.

tary union. As a result, there will be next to no real growth in the farm budget in 1998. The farm lobby responded last month with dire warnings that a 0.5 per cent real increase would signify an Ecus 2.5bn deficit in the farm budget and price cuts of between I and 5 per cent.

Lilkanen and Santer, both of whom can read a balance sheet, suspected that DG VI had exaggerated the level of adjustment whole cuts exercise less palatable. Its aim, in fact, was to continue the age-old ruse of over-

In fairness, a generous kitty is useful to counter currency swings which plague farm prices or, like last year, to come up with Ecus 1bn to ball out BSR-affected beef farmers. But as one official says, the kitty has also been used to pay off less deserving causes such as the Spanish beekeepers who are worried about boney

Last week Franz Fischler, the Austrian agricultural commissigner, bowed to pressure and revised his 1998 figures. Prices will remain the same. Meanwhile he intends to press reforms on the worst sectoral offenders, such as olive oil and tobacco.

None of the above suggests that the Commission is about to dismantle the Cap. It would be foolish, too, to count out the farm lobby, especially with parliamentary elections looming next year needed in order to make the in France and Germany. But the message in Riccardi's Cap column is as powerful as anything written by his predecessor: the status que will not hold.

#### The Monday Profile: Martin Owen, NatWest Markets

# Taking on the world

fit the image of an investment banker. Instead of having an English or American accent, his is Welsh; instead of acting with arrogant briskness, he is chatty and unpretentious. Yet in his understated way, Owen is attempting to take on the world.

The fact that National Westminster Bank has entrusted its effort to propel itself, from a standing start, into the first rank of global investment banks to an accountant who sings in a Salvation Army choir, seems strange to some of its rivals. They questioo wbether such a homely figure can command atteotioo among highly-paid and temperamental corporate financiers and bond traders.

They also question whether Owen has been tempted into over-paying for a range of businesses, including Greenwich Capital, the US bond trading firm, and Hambro Magan, the Britisb corporate finance houtique, in his bid to compete with established investment banks. His creation, NatWest Markets, bas yet to prove it is a coherent whole.

Yet at least until last week. Owen appeared to be vanquishing scepticism. Having melded NatWest's treasury and capital markets arm with the remains of the ill-fated County NatWest merchant bank (damaged by its involvement in the Blue Arrow

than Barclays BZW That was before NatWest disswaps department had not made as much money during the year Papouis appeared able to misas it appeared. Kyriacos Papouis. a 30-year-old trader who left the bank at the end of the year, is oow accused of over-pricing his portfolio by £50m (\$81m) and Nat-West's reputation for risk management, and its momeotum. have been damaged.



affair), be had seemed to produce preserving his reputation for run- ing firm NatWest bought during notably better results during 1996 ning a tight ship. As a former the Big Bang de-regulation of the in which Papouls worked, and a covered that its fixed income specialist in risk management, it is embarrassing for Owen that price options over a long period

without anybody finding out. Yet Oweo bas faced bigger challenges than Papouis's legacy. There were not many who believed Owen would get this far wben he chose the name Nat-West Markets four years ago. NatWest's latest difficulty pres- Sceptics included staff of the forents Owen with a challenge in mer Wood Mackenzie, the brok-

City of London in the 1980s. "Martin may not look or sound

like an investment banker, but part of that world. You wonder you have got to judge him by results. In the early days, he was practically the only one in the building who would even refer to the place as NatWest Markets," says a banker who worked with

Colleagues say he has managed to weld varying parts of the business by working hard, and by displaying down-to-earth charm. Owen's energy and drive strike

a chord with the increasing num-ber of US investment bankers in senior positions at NatWest Markets. "I can only say good things about the guy," says Stephan Harris, head of the bank's bond and treasury operations. "He does not wobble or panic if I bring a risk problem to him, and he has a real vision for the

nvestment bank". Owen, 49, came to his job via an unusual route. He started his career as a chartered accountant, theo worked in Wales for the US company Dow Corning and for Harlech Television, forming his own accountancy firm at the age of 30. That expanded into insurance broking before Owen sold the business in 1979.

He then spent three years working full-time for the Salvation Army, distributing food to poor people and organising meetings. However, he managed to gain an external doctorate from the University of Southern California in risk management at the same time. Then he returned to paid employment, joining Nat-West via a stint as a financial

supervisor in the Isle of Man. Perhaps as a result of all this experience, Owen does not lack self-confidence. He does not talk or act like an investment banker, but he shows no sign of doubting his ability to get disparate talents to work as one. Others remain sceptical, particularly about recent acquisitions such as the US advisory boutique run by Eric Gieacher, a Wall Street veteran.

"I think his Achilles' heel is that he does not really seem to be whether some of those people really think he is the boss," says one banker.

Stephan Harris maintains that this is unfair. "I had some questions about Martin's ability to lead an investment bank five years ago, but I have really seen him grow as a manager during that time," says Harris.

John Gapper

#### FT GUIDE TO:

#### NUCLEAR WASTE DISPOSAL

What is at issue in the confrontations between anti-nuclear demonstrators and police in Ger-

Thousands of demonstrators tried and failed last week to stop six 100-tonne containers reaching the nuclear storage facility at Gorleben in Lower Saxony, northern Germany. They hold highly radio-active waste from two German nuclear power stations and from the reprocessing plant at Cap

de la Hague in France. Why is anti-nuclear Germany taking radioactive waste from pro-nuclear France?

The French consignment originated in Germany. Spent nuclear fuel rods from German reactors go to Cap de la Hague and to the British Nnclear Fuels plant at Sellafield for reprocessing - the separation of re-usable nuclear fuel from useless waste. But the contracts call for the radioactive waste to be returned to Germany afterwards.

Anyway, the waste got through to Gorleben so the German nuclear anthorities must be pleased. Their victory may be pyrrhic. The green movement believes the televised sight of Germany's biggest post-war security operation, involving 30,000 police and security guards, will turn public opinion further against nuclear power. And the state of Lower Saxony is objecting not only to the disruption but also to meeting policing costs esti-mated at DM100m (£35m). Two similar operations to defend shipments in 1995 and 1996 were almost as costly. State officials hint that they would not allow further nuclear convoys to Gorieben.

What would happen to Germany's nuclear waste in that case?

Newly produced waste would have to be stored where it is produced: in expensive facilities at individual power stations. That is already done in many countries. But on-site storage would not solve the problem of the waste that Germany is obliged to take back from France and the UK. Politicians in northern Germany say that specialised nuclear storage facilities should be built in the south, which is richer and more pro-nuclear or less anti-nuclear - than the north.

The German government says waste shipments are inevitable if the country is to continue with nuclear power, while the green movement wants to make the shipments so difficult and expensive that Germany has to phase out nuclear electricity.

Have other countries been more successful than Germany in dealing with their nuclear waste? Germany has the worst record of violent confrontations because its anti-nuclear movement is so strong. But no country has come up with a satisfactory solution to the problem of radioactive waste, now the biggest obstacle to the nuclear

industry's hopes of a revival in the next century Even in the most pro-nuclear countries, people object to plans for a dump in their backyard.

What would a satisfactory solution be?

From the industry's point of view, it would be to bury the radioactive wastes permanently, deep inside geological strata that will remain stabl and dry for tens of thousands of years. Anti-ouclear campaigners oppose permanent disposal. They say it would be impossible to guarantee the iong-term safety of any depository, so wastes should be kept securely in temporary storage facilities where they can be monitored.

Have any permanent disposal sites been identi-

There are candidates in several countries, including salt mines near Gorleben, but all are highly controversial. The UK industry wants to build a permanent underground depository for intermediate-level wastes close to Sellafield as soon as possible. The most dangerous high-level wastes would be "vitrified" - turned into glass blocks and stored at Sellafield for at least 50 years until they had cooled down enough for permanent burial. But a more serious nuclear waste crisis is developing in the US.

Why is that?

Because the US has no central facility for handling, processing, storing or disposing of nuclear waste. More than 20,000 tonnes of spent fuel are in temporary storage in pools or steel and concrete casks at 109 reactors across the US, and some plants may have to shut down as their storage facilities fill up during the next few years. The federal government is supposed to be providing a central disposal site, but some scientists have challenged the safety of the only candidate, Yucca mountain in the Nevada desert. Even the industry's optimists accept that it is unlikely to be operational before 2010-2015.

Nuclear technology created the waste in the first place. Couldn't it help to destroy it?

In principle, yes, by the process of transmutation. Long-lived and highly radioactive elements can be converted into shorter-lived and less dangerous materials by bombarding them with nentrons from a reactor or particle accelerator.

Experiments in transmutation are being carried out at the French Superphénix fast reactor and at the Los Alamos and Brookhaven national labora tories in the US. But few believe that is an affordable or practical solution for the tens of thou-sands of tonnes of radioactive waste piling up around the world.

Clive Cookson

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# Peter Norman · Economics Notebook

# Germany's bad case of déja vù

Headlines from newspaper clippings of 1975 appear eerily familiar

Prominent in the German news last week was record unemployment, widespread resistance to the storage of nuclear waste in northern Germany and continuing concern about the country's 1975 was that a looming "investpay-as-you-go pension system. By chance, I recently came ation. Today, sluggish invest-across some 20-year-old newspaacross some 20-year-old newspaper clippings covering the early years of the west German gov-ernment of Helmut Schmidt. The problems in the news between 1975 and 1977 were serily famil-

Then, as now, Germany's pension system seemed threatened with a huge deficit because ever more old people had to be supported by a shrinking working population. Gorleben, the ouclear waste storage site in Lower Saxony, was just starting its career as a focus of popular resistance to the peaceful use of nuclear energy. The construction industry was in serious recession after the runaway boom a few

years before. More worrying was

the persistence of high unem-

ployment at record levels. In the intervening years, the country has grown in size thanks to reunification. However, the problems, especially in the labour market, have grown even more. Unemployment reached 4.67m in February. There are now 3.26m jobless in the former western Germany compared with the 1m which caused so much concern in the mid-1970s. Unemployment in the new lander of eastern Germany.

at 1.41m, also exceeds the west German level 20 years ago. In the mid-1970s, as now, policy makers had clear ideas about ery between 1984 and 1991, when, the underlying causes of unem- as the right-hand chart shows, fell by a quarter from 3.84m to

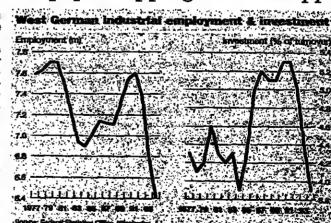
Then, as now, there were hopes that it could be halved by the end of the decade. The main worry relating to

unemployment in November ment gap" would limit job creand the government of Helmut Kohl has been struggling for more than a year to improve the environment for investment with plans to cut the non-wage labour costs of business, reduce taxes and cut bureaucracy.

That jobs are still Bonn's main nic policy concern shows how little has gone right in Germany during the past 25 years. In 1975, the economics ministry calculated that gross investment by trade and industry would have to rise by a real 8 per cent a year in the period to 1980 to cut employment in half to 500,000. That was an ambitious hope, given that investment had fallen on average by 3.8 per cent a year between 1971 and 1975 and had increased by only 7.1 per cent annually in the era of prosperity between the mid-1950s and the

first oil crisis in 1973. Perhaps inevitably, the investment gap was not plugged by 1980. But the accuracy of the ministry's analysis was borne out a decade later, as shown in the accompanying charts.

The left-hand chart shows how industrial employment in western Germany fell by 17 per cent from 7.7m at the end of the 1970s to 6.4m in 1994. It was not a ment trends. linear decline, however. Industrial employment staged a recov-



There were a number of favourable factors at work in the late 1980s. Globally, they were years of steady economic growth and falling oil prices. In Germany, they were the only years in which Helmut Kohl's government managed to reduce state involvement in the economy (to about 46 per cent of gross domestic product from more than 50

per cent in 1982), creating more

room for entrepreneurial activ-

picked up.

ity. Since unification, state spending and transfers bave gone back up above 50 per cent of GDP. The late 1980s also preceded globalisation. But growing economic interdependence was already casting a shadow over the labour market and invest-

Between 1977 and 1994, employment in industrial companies employing more than 1,000

per cent to 1.03m from 1.1m in companies employing between 200 and 500. Annual investment by the larger companies grew by only 62 per cent in total com-

smaller companies. The larger companies included an above-average portion of internationally active concerns, which were already moving operations abroad on an increasing scale. The companies employing between 200 and 500 people, which were less quick to cut staff, were typically members of the Mittelstand: the small- to medium-sized companies which have been the backbone of Germany's post-war prosperity and which until recently have invested and prospered at home.

pared with 109 per cent for the

The decline in industrial employment between 1977 and 1994 would have been less worrying had Germany been able to an optimist would suggest that it develop a thriving service sector has done more than bottom out ployment and how to cure it. investment in industry also 2.86m against a drop of only 6.3 along the lines of Britain and the in the past 10 years.

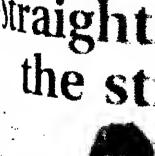
US. Germany's dependence on manufacturing has added to the problems of unemployment in an increasingly globalised economy. Since 1994, the shake-out of industrial employment has been alarming as companies have invested heavily abroad to exploit foreign markets and escape Germany's high costs. By the end of last year, industrial employment in western Germany had fallen to 5.8m. down more than 0.5m in two years. The decline has been exacerbated by government policies which until last year encouraged companies to shed labour through early retirement.

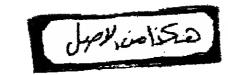
It is likely that unemployment will decline in the months ahead as the economy continues its fitful recovery and the effects of the harsh winter unwind. But Chancellor Kohl's goal of halving unemployment by the end of the decade appears as unattainable as the hopes of a similar achievement in the late 1970s.

Germany's jobs crisis and the flashback to conditions 20 years ago tells us much about the process of relative economic decline. It takes an awfully long time for problems and mistakes to impinge on the national and international consciousness and to be corrected.

Many of Germany's present difficulties were apparent in the 1970s. The country has, in fact, been losing ground to more nimble rivals for a generation. Britain's experience suggests that this process has further to go. In the UK, relative economic decline began around 1885. Only

which and Governor have





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INVESTING IN INDIA V

# Race to capture consumers

A reluctance to use credit is running at between 35 to 40 delaying the per cent, albeit from a low bace, the banks estimate. industry's "The market is just opening penetration

CREDIT CARDS . by Lisa Vaughan

Alongside some of New Delhi's main thoroughfares, (MARG). the giant face of Indian cricket star Sachin Tendulkar grins down from billboards at passing motorists exhorting, "Get yourself Visa power" Within sight of der are split between Diners his smiling, oversized eyes is Club and American Express, a roadside slum, its dwellwhich are business charge ings made of plastic sheeting and other scavenged matericards, and local bank debit

The slum-dwellere, and

indeed most citizens who

walk or ride past, cannot

read the credit card adver-

tisement. And, even if they

could, most would not

understand the product or

have sufficient financial

Is India really ready for

credit cards? The leading car

companies say that it is.

Like many multinational

corporations, they see India

mercial potential, homa to a

rapidly growing consumer

class estimated at between

100m and 300m people. If

they do not get there first,

But the market leaders,

Mastercard and Visa, have

found that despita the coun-

try'a aix-year-old economic

liberalisation programme,

India remains a stubborn.

challenging market. After

investing millions in train-

ing, sales distribution net-

works and infrastructure,

they are only just beginning

Out of a population of

nearly 960m, between 2m-3m

Indians have rupee-denomi-

nated plastic cards. The

number of merchants accept-

ing credit cards is still fewer

than 100,000, and in such a

vast country that means

credit card acceptance is the

exception rather than the

rule. Though card sales are

growing strongly, banks are

only just moving into the

black on their Indian card

to tap into its potential.

their competitors will.

as a market with vast com-

means to use it.

Nevertheless, year-on-year reached, banks and card tracking study showed the growth in the industry is holders agree.

up," says Vinu George of the Bombay-based Marketing and Research Group In the race to capture the Indian consumer, Mastercard is ahead with 1.4m cardholders, compared with Visa's 700,000. The remain-

cards. Mastercard and Visa

Balance of payments

717 June 2 1 1 1 2 1

Sports/Imports (%).

Current account/GDP (%).

ECBLTO\* (%).

NRI deposits/TC (%).

Edemal assistance/TC (%).

External debt (and of period). (USS/n).

External debt/GDP (%).

External debt/GDP (%).

External debt/GDP (%).

closely watch each other but

protest they are not fighting

for business. Indeed, they

are both working towards

the same goal: to increase

Indians' understanding of

credit cards as a conve-

eumar acceptance and

Tha market is enormous

in India," says Mr Chandra

Agnihotri, Visa Internation-

al's country manager, South

Asia, "The whole industry is

expanding and each brand is

expanding as the industry

grows. Mastercard started

out here a few years earlier

than we did but we are

catching up." Mastercard set

up a local office in 1987,

while Visa opened its doors

Visa estimates the poten-

tial credit card market in

india at around 10m car-

dholders' by 2000 but there

come before this target is

Amazing things bappen

when you

set out for India.

(Columbus, for instance, discovered America.)

here two years ago.

panies themselves, profits are many hurdles to over-

nience product, gain con-

broaden the still-tiny user

Exports/Imports (%)

The first challenge is gaining acceptance among Indian consumers, who are

traditionally credit averse. While their western counterparts buy first and worry how to pay for it later, most Indians arrange to have money available and only then will they spend it, said Mr I. Natarejan, economist for India's National Council Research, Most Indians also try to repay a credit card bill

Applied Economic

immediately to avoid paying interest charges. Mr Kurt Schneiber,

1.178

card market was heavily skewed to travel and entertainment users, and was used by the boss alone," said Mr Sonny Sannon, Mastercard's general manager for South Asia.

"These traditional ideas are breaking down. Attitudes to credit have changed dramatically in the past decade, and the multiplicity of choice available has fuelled this," he said. Young people, with grow-

ing exposure to satellite television and Western consumer culture, are on the cutting edge of this change.

vice-president and business. The typical profile of tha 1991-02

1-158

5,434 -1.7 21.0 37.6 13.6 19.0 18.9 31.0 83.801 90.023 99,008 92,199 30X 28.7

of cards versus cash. They bave operated their lives for so long here without them." Citibank is the leading card issuer in India, with a 30 per cent market share, followed by Standard Chartered Bank with 16 per cent. Local banks combined hold a 30 per cent share. But even with greater concumer awareness, the returns will never be as buoyant as in many other Asian countries because the average price of items Indians buy is low, reflecting relatively low

manager for cards for Citi-

bank agrees. "We need to

help the consumer recognise

the utility and convenience

says. The average outstanding credit card balance in the US is \$2,000, in Asia \$1,500, but in India \$500. The card industry says India's wariness of credit is

omy opens up and consumer

choice multiplies. "In 1987, a

Indian university graduates income levels, Mr Schneiber

also take out a personal credit card. Marketing plays a crucial role, and advertisements showing ordinary Indian people using credit cards in lessening as the Indian econbelievable everyday situa-

2.534

78.4

and hopes that they will get hooked for life on the convenience of credit.

new Indian cardholder is male professional or executive, late 20s to mid 30s with a minimum salary of Rs 50,000 to 70,000 a year (£1,000 £1,200). Capitalising on this Citibank has successfully targeted upwardly mobile

Bnt the banks and card companies are alo trying to attract the slightly older, more conservative, consumers with higher incoma, including women, who can spend more on their cards. Even businessmen in their mid-50s who have a corporate card will not necessarily

tions are proving successful,

said Mr. Sannon. At the

Mrs. Kanta Thangiani, assistant general manager for its card product group, says special promotions, such as gift offers have also attractednew customers.

Indian cardholders charge items ranging from restaurant meals to consumer durables, but low tickat items predominate. According to Mr Agnihotri of Visa, defaults are within interna-

tional standards at around two to three per cent. India's inadequate infrastructure remains a key obstacle to expansion, especially outside the big cities, industry sources say. The credit card industry's heavy telecommunications and technology requirements cannot be met immediately in a country where power cuts in main urban centres occur daily and where phone

conversations can be cut off

at any time. Mastercard expects to launch a multi-million dollar VSAT network in early March to move data to and from its Indian member banks, and its rivals may have to take similar steps to bolster their systems. Mr Sannon expects that the network will anable it to achieve 100 per cent growth in volumes over the next year, make transactions faster and more secure, and give member banks the opportunity to introduce new products such as online

ATMs, debit cards and smartcards. Another barrier is the rupee's lack of convertibility, which means those who take out a credit card can only use it in India and Nepal, said Mr. Agnihotri. Education and training of staff at every level of the card industry is an ebsolute necessity, but also a time-consuming, costly and

labour-intensive process, he

It will be some time before

the foreign banks can count

upon their indian card busi-

ness as an important reve-

nne stream but MasterCard

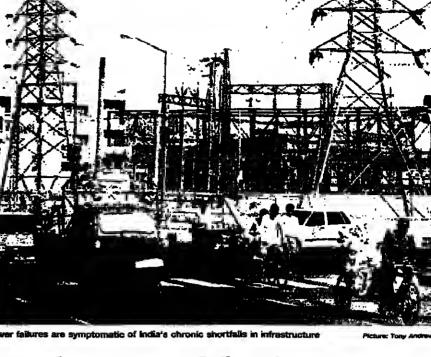
expects its indian operations

will begin to show a surplus

in five years, according to

added.

has been agonisingly slow. Of the eight "fast track" megaprojects approved in the first flush of the sector's delicensing in 1992, only one unit of one of them has been commissioned, two more projects are under construction, bot the rest remain under negotiation - bogged



A gleam of light

ble," he says.

Continued from page I past will be forged slowly

and surely, unless acceler-

ated by outright crisis. The case of the power sector is an example. Progress in reforming tha sector to attract the necessary domestic and foreign private funds down in complex bureaucratic procedures and

Meanwhile, India's power shortages worsen. Even Delhi, the cossetted national capital, suffered long power blackouts this winter - portending far graver shortages in the coming furnace of summer. As a first step, says Mr Rajendra Pachauri, director of the independent Tata Energy Research Institute, the existing, delayed projects undertake the unbundling time to evolve."

reviews et both central and

state government level.

must hasten to completion. and commercialisation of "We need the take-off of four India's Nehruvian accialist or five major projects in the next six months, otherwise four or five years down the road we are in serious trou-

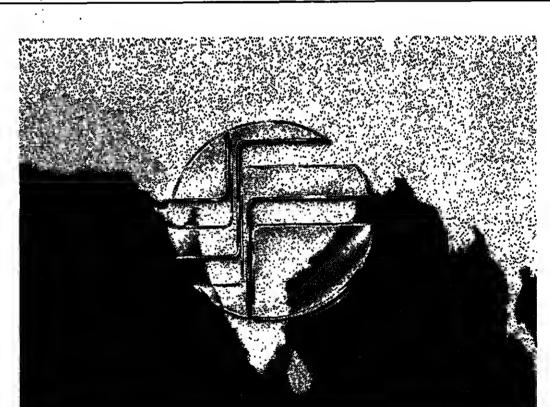
The next, and more funda-

somehow to accelerate the reform of India's loss-making state electricity boards, which in 1994-95 iost a combined total of Rs63bn. The SEBs, the primary purchaser of privately generated power, are politically controlled by etate governments. Their losses stem directly from the historic unwillingness of state governments to charge farmers anything like remunerative rates for the power they use. As the SEBs' losses

worsen and biackouts lengthen in many states, a crawling process of reform is eocouraged by the increasing tendeocy of multilateral lenders such as the World Bank and the Asian Development Bank to target lending at state governments deemed willing and able to

state power boards. But it is a patchy process. The poor state of Orissa has begun a near wholesale reform of its SEB. backed by a \$350m World Bank loan, States such as Gujarat, Haryana mental step, however, is and Rajasthan are cautiously preparing similar plans. But at the same time, the first statement of Punminister was that he would guarantee farmers free electricity. Kerala state also

recently waived power charges for farmers. Thus in power, and else where, many have concluded reforms will occur when the politically unpalatable is forced by the economically unsustainable. talking about the formation of what is essentially a new ecocomic ideology in India," finally getting under way, says an indian investment banker with an international bank in Delhi. "It's perhaps like the period before Mrs Thatcher changed thinking in Britain. It's a question of a crystallisation of new thinking. But it will take



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Do (No 3) Class A Mtg Bokd

FRN 2029 £1080.76 Do Class B £1858.96 Inco \$0.10 Pacer Infotec \$0.03 Prism Leisure 1.73p Prospect 1 Asset Bckd FRN 2003 £1647.04 Seagram \$0.165 Southvaal R4.80 Unidare Units IR12,26p Vaal Reefs Expln R10.15

Western Deep Levels R3.60

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WEDNESDAY MARCH 12 COMPANY MEETINGS: London Scottish Bank, St James' Club, Charlotte Street, Manchester, 12.00

BOARD MEETINGS: Finals: Foreign & Colonial Enterprise Heywood Williams

Leslie Wise Group

Lionheart Midland Independent

THURSDAY MARCH 13

COMPANY MEETINGS: Gartmore British Income & Growth Tst, Fenchurch Exchange, 8, Fenchurch Place, E.C., 12.00 Lookers, Lancashire Cricket Club, Talbot Road, Manchester, 12.00 Sperati (C.A.) (The Special Agency), 54, Westcombe Hill, Greenwich, S.E., 12.00 Stanelco, Oliver House, 27, East Barnett Road, New Barnett, Herts, 10.00

BOARD MEETINGS: Finals: Coats Viyella Cordiant Cortworth Courts Consulting Group Enterprise Oil Graham Group

Jeyes Group

Jupiter Intl Green

MALD Mirror Group Nelson Hurst Perry Group Reckitt & Colmar Tabury Douglas United Biscuits Woodchester Inv Tst interims: Sirder

■ FRIDAY BOARD MEETINGS **Angle Pacific** Aquarius Group Mithras Inv Tst Vitec Hidgs United News & Media Wood (Arthur) & Son

Company meetings are ennual general meetings unless otherwise stated. Please note: Reports and accounts are not normally meeting to approve the preliminary results.

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## MANAGEMENT

# The UK cut down to size

Restructuring has hit harder than in Germany, say Ansgar Richter and Geoffrey Owen

ver the past decade a wave of corporate restructuring has swept through European industry. In response to a more demanding capital market and more intense global competition, a radical reappraisal of strategy and structure has been

General trends have been towards refocusing - reducing the number of businesses a company competes in, and simplification of internal organisation reducing the size of the head office and cutting out layers of

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But the extent of these changes has varied considerably between countries. In particular, there are marked differences in tha way British and German companies have reacted to external pressures. Downsizing, refocusing and delayering have been far more drastic and extensive in tha former than in the latter.

To investigate the extent of these differences, and the possible reasons for them, the Centre for Economic Performance at the London School of Economics, in association with the Financial Times, has been studying the restructuring activities which have been taking place in the largest British and German companies since 1986.

Top managers from 116 British and German companies answered a questionnaire which, taken together with data from published sources, provides a unique insight into the extent and nature of corporate change in the two countries.

Over the past 10 years more than three-quarters of large British companies have reduced the extent of their diversification. More than half have demerged or divested unwanted husinesses. Some 80 per cent of the sample have made at least occasional use

In contrast, hig German companies have been more reluctant to pursue refocusing strategies. This may be because fewer of them diversified as extensively as British companies in the 1960s and 1970s. But this is only part of the story. There are a number of conglomerate glants, such as Veba and VIAG in Germany, which show no inclination to narrow their range of activities. Despite criticism from British and American financial analysts, many diversified German companies seem more confident than



sued unrelated acquisitions, this

compares with 32 per cent of Ger-

also much more prone to inte-

grate vertically - backwards by

acquiring suppliers, or forward

hy buying distributors or retail-

ers. Hardly any British compa-

tions. Almost 50 per cent of all

British acquisition strategies are

directed primarily at overseas

targets, and a further 20 per cent

to a balanced mix hetween

domestic and international tar-

gets. This compares with a much

lower proportion (31 per cent) of

German companies with primar-

lly international acquisition

man companies. The latter are many.

here is also a difference

between tha two coun-

tries in the importance

of international acquisi-

their British counterparts in of the British sample have pur- man and foreign targets. These their ability to manage a diverse spread of businesses

Part of Britain's de-diversification has taken the form of management buy-outs. Some 60 per cent of large companies have sold parts of their husiness, often support functions, to the management. Typically, the British nies have followed this strategy. respondents to the survey have had between three and four buyouts over the past decade, with up to 17 in exceptional cases.

Compared to this, the German market for these deals has only started to develop since reunification. Only 20 per cent of German companies report buy-outs, and the maximum number per company is just three.

In line with the stress on refocusing the vast majority of British acquisitions are now horizontal in character, with companies adding to businesses they are strategies, but a higher proporalready in. While only 16 per cent tion (36 per cent) with both Gering". Ten years ago the main operating businesses of British companies had an average of seven layers of management, and as many as 14 layers in one extreme case. in late 1996, average figures were down by one third to fewer than five managerial tiers. Again, the Anglo-German comparison provides interesting

dence of the extent of "delayer-

insights. German companies have slashed their hierarchies as well. but from a much lower starting point of only five to six layers in 1986. in 1996, hierarchical structures in British and German companies look much more similar in 1996 than 10 years earlier. But the pruning of head office staff has been much more ruthless in Britain, Leaving aside a few exceptional cases, staff counts at British headquarters are now only 60 per cent of what they were in 1986.

Overall, our survey shows that, at least up to 1996, the German approach to corporate restructuring has been much more cautious than Britain's. Is this hecause German companies are too set in their ways, with too many vested interests obstructing desirable changes? Will the Germans he forced in due course to follow in the British path?

There is some recent evidence of a more radical approach to corporate structure, often involving the hiving-off of unwanted businesses and a new relationship between the head office and the operating businesses: Daimler-Benz and Hoecbst are well-known examples.

But whether these developments point to a greater conver-In contrast, there are some gence between the two countries ways in which British and Gerremains uncertain. Despite the current difficulties of the German ing very similarly. For example, economy, the values of stability joint ventures and strategic alliand consensus which have served ances have been strongly German industry so well in the favoured by around 47 per cent of past will not he discarded quickly. National approaches to When we turned to internal corporate restructuring reflect organisation, we found that in each country's history and both countries there is a trend domestic institutions, and these deep-seated differences are likely More than half of the British

The authors are at the Centre for Economic Performance, o research use of financial resources has centre at the London School of Economics and Political Science. A full report will be ovailable shortly from the Centre for Economic Performance, LSE, Houghton Street, London WC2A The survey also provides evi- 2AE.

Roderic Hill (left) and Stephen Chipperfield: billings of £30m

#### **PARTNERS**

## Hill Murray



Murray, 62, ounded the Hill advertising year later Stephen Chipperfield,

49, became a partner. Their clients include Sun Life, Coutts and Commercial Union. The Hill Murray group includes three other companies which specialis in financial PR, design and marketing. Their billings last year were £30m.

Stephen: "Roddy has a beautifully civilised veneer which hides a very strong personality. He's urbane and patrician which comes from his public school background. I'm definitely more streetwise.

He's a team person which is vital in this business, someone who's genuinely inferested in the welfare of the staff. I'm perceived as a driven bastard, the Mr Nasty. When I wind people up Roddy's the one who placates them and says; 'Never mind, it's all right really."

Tve seen too many agencies disappear over the years so you bave to be tough. Advertising is a high-adrenalin pursuit, which suits my disposition. Roddy has a tamer role as chairman, and although he might think I have more fun. I also have more aggravation.

In his early days, at Streets, financial advertising was run by an old boy network and no one bothered about brand managing, which is something Gamble had been doing for more than 40 years. In those days, marketing staff of large companies were actuaries; now they're bugely important and sit on the board of institutions.

The financial services sector is now the second largest category of advertising, something neither of us could have imagined 10 years ago. The industry is littered with

partners who have ended up at war. It attracts prima donnas and flamboyant types who think it would be great to work together until they find their egos won't fit in the same room. Roddy lacks ego and I've got too much, which is one of the reasons we've been successful together."

Roderic: "Steve came ont of retirement to join the firm. He'd run his own agency. Bastables, for many years and after he sold ont, at the age of 30, he decided to sail around the world then write povels.

He was starting to run out of money when we lannched, so it wasn't hard to snck him back into the industry. Before he became a partner be worked as our creative director from home. We used to fax him a brief, be'd then go off riding bis horse for two hours and come back with a brilliant Idea.

I think he finds it frustrating that be's now managing director and no longer creative director. He has to stand back and not interfere, which is hard for someone as talented as him. He loves the theatre of presentation, the pitching to clients and situations where he has to think on his feet.

When we first took on the · Fidelity account he shocked them all by unfolding a 48 sheet poster to launch their new ad campaign. It may not sound dramatic, but the room was full of financiers, so to them this was very innovative and exciting.

prepared to take a commercial view, unlike a lot of advertising people who get carried away with the husiness itself. We've always run the company under tight financial control. When you start ont with three people in two rooms, as we did, that frugality never leaves you, no matter how large you become."

Fiona Lafferty

#### Lutte 23.4 sure. Pa Refocusing: British and German companies

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The restucturing of British companies

trends are undoubtedly influ-

enced by the reunification of Ger-

man companies have been behav-

companies in both countries,

towards greater decentralisation.

and 42 per cent of German

companies report that the discre-

tion of line managers over the

increased. In only about 12 per

cent of cases in both countries

has line managers' autonomy

decreased, with no change in the

remaining cases.

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- Median head office size	
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Median number of needs of B.0 S. operating businesses who report directly to the head office	Ď.
Average layers of management 7.0 4. in the main operating businesses	7

# Straight to the top with the stroke of a pen

nn lverson, CEO of Laura Ashley, never touches a piece of paper twice. Lord Hanson gets to work before everyone else and never goes home until his in-tray is empty. Bob Ayling of British Airways says no. Martin Sorrell of WPP plans out the coming year clearly in advance.

These handy little hints nn how to beat the clock are revealed in this month's Director magazine. No doubt they have helped the giants of industry to get where they are, hut to those of us who really need help, these techniques are hard to follow. An alternative suggestion on how to stay on top of your work comes from David Abbott of advertising agency Abbott Mead Vickers: surround yourself with people who are better

Well said, David. What a charming view of business you have. The only trouble with it is that if the people surrounding the boss are so much better than he is, then why is he still in the bot seat? I suspect that Abbott is talking trendy nonsense - unless be simply means that you should always hire and promote the best people available. It is hard to dis-Seree with that.

A more practical tip comes from John Jarvis, chairman of Jarvis Hotels. He answers all mail by scribbling answers on the original letter and sending it straight back. This is a stroke of genius. If we all did this, we could become budding Ann Iversons in no time. Of course, some people might not take kindly to having their letters returned covered in scribbles. But it would save so much time (and paper) that if enough people like Jarvis persisted in doing it, the idea might just catch on.

My main achievement last week was orking out how to get on to the internet. This was particularly



impressive as I had never used a mouse before, and felt at first as if I was nn that 1970s quiz show, The Golden Shot. However, I have been well rewarded for my efforts hy being able to visit the Chivas Regal Career Toolbox. (What on earth is a booze company doing offering management and career advice?) There I found all sorts of handy hints, including another insight into the changing role of the letter. The toolhox recommends that job seekers should follow up interviews with a thank you letter, in which they

" MISS SMITH - SEND SOMEONE

CLEVER IN TO TELL ME WHAT TO DO."

the interview, tell the interviewer how they adored the company, make a few thoughtful observations, and then "season the letter with some-

thing personal or funny". I know that in these days when jobs are no longer jobs for life we are meant to be marketing ourselves all the time. But these letters (which all) are the equivalent of the most pushy, unsubtle selling.

Most people do not like being sold to in this way, and interviewers are thank the interviewer for his time. surely no exception. Were I hiring say how well their skills match the anyone I'd rather they cut the sales

An interesting finding in the latest research on the over-researched subect of leadership: leaders with flaws do better. According to John Hunt of London Business School, successful leaders can have serious shortcomings so long as they sdmit to them. That way, staff see them as human beings.

patter, kept their jokes to themselves and waited politely to be told

whether they had got the job.

You might think this was pretty obvious, hut it represents an advance on most of the stuff written about leaders in which they are represented as perfect, superhuman beings, visionaries who can motiare not really thank you letters at vate, communicate etc etc. The traditional view and mostly feel it would be weak to sdmit that they never listen/are badly organised/nar row in their outlook. But I expect there is another reason why they do not own up to their failings. It has never occured to them that they

> Last night I dreamt I was interviewing an elderly American management guru. (It would be nice if my fantasy life were more exciting, but there you are.) In my dream this guru was telling me about his theory - which appeared to be the exact opposite of the version expounded in his book. When I pointed this out, he said proudly that he had misquoted himself to hundreds of CEOs.

> He was so convincing that I tried it out How to Lose Friends, and be Ignored hy People. In Search of Mediocrity. Waiting for the Molehill to Move. Only the Completent Survive. The Bulging Raincoat. It sounds fresh, intriguing. CEOs

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#### MARKETING / ADVERTISING / MEDIA

Advertising agencies are under pressure. Management consultancies are sniping at them, to gain a greater share of the "advice market". And a growing number of advertisers are feeling restless. Alison Smith and Meg Carter report

# Turf war: agencies vs consultancies

advertising agency and the rest in a management consultancy, personifying the overlap between the two sorts of adviser, writes Alison Smith.

He was head-bunted from his job as chief marketing officer at consultants Booz-Allen & Hamilton and last month was appointed head of worldwide strategic planning and business development at ad group D'Arcy Masius Benton & Bowles, a post he takes on full-time at the start of next month.

"It's quite a bold move on their part, and on mine," says Hill.
"Does adding a different strategic perspective make us more powerful in the market?"

Many of the largest advertising and marketing services groups are similarly assessing how to become more powerful in the advice market, so as not to be left merely executing the strategy put forward by consultants.

"Advertising agencies have to move up the value chain," says Martin Sorrell, chief executive of WPP, the world's largest marketing services group. He adds, however, that he does not see advertising agencies as well-placed to

am Hill spends most of see the turf war as a direct con-his working week in an flict, they are clearly aware of a contest. Changes in both clients and their advisers seem to have led to ad agencies being somewhat squeezed out of their role in advising on brand management and strategy.

One factor Sorrell identifies is the increasing value that financial markets attach to companies that concentrate on organic growth rather than expansion by acquisition, making successful marketing of their existing husiness more critical.

Tim Breene, a partner at Andersen Consulting, says com-panies have realised how precious successful brands are, and how difficult it is to create new ones. "Brand management has become a top management concern again, and the natural partner is a strategic consultant".

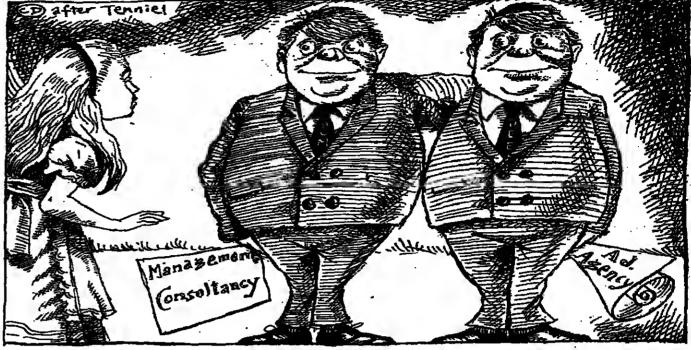
Though they should be wellplaced to offer advice on brands, agencies can lose out because clients are sometimes suspicious of their true intentions, whereas consultants have a perceived neutrality, according to Fernan Montero, chairman of Young & Ruhicam Europe, "Agencies can be seen to have a vested interest in promoting the notion of pro-moting the brand," he says.

themselves. He says that agencies conceded some analytical ground about 20 years ago when they deliberately emphasised not but also their creative skills, and consultants moved on to that

cKinsey & Company is only one example of how consultants have expanded their role. Anthony Freeling says McKinsey always worked on marketing and hrand strategy in areas such as the packaged goods industry, but now gives that advice across a broader range of sectors, including retailing, financial services and healthcare prod-

"Now we have a worldwide group of 20-30 marketing research specialists who enable us to get a consumer perspective - hoth qualitative and quantitative - on our work," he says. "More and more work requires a good insight into the consumer."

Insight into the consumer is the central area of contention between the two types of advisers. Ad agencies say they sometimes do not get enough credit for the knowledge and expertise hampered because they lack an 1980s when, for example, Saatchi that lies behind any campaign instinctive understanding of the & Saatchi moved aggressively



they present to clients. "When consumer. Consultants say they agencies make presentations,

for free," says Sorrell. That is not a view shared gen-erally by consultants. They say their strategy advice is strongly analytical and so labour intensive that no organisation could afford to let clients have it for nothing. "Whatever agencies are giving away, they are not giving away the same strategy that coosultants are selling," says Hill.

Agencies also say that consultants' approach to strategy is

Breakdowns are back in fashion

can provide market research and consumer information themselves or by orchestrating advice from other specialists.

The role of lead adviser is not

one advertising executives are in a good position to play. "I don't think ad agencies would be good at fulfilling the turnkey role, because they have a different culture," says Breene.

Resolving the conflict between ad agencies and consultants is unlikely to mean a return to acquisition strategies of the late 1980s when, for example, Saatchi

into management consultancy. Instead, apart from obvious moves towards hiring people from consultancies, agencies are looking at how to capitalise on their expertise without being drawn into areas for which they are not suited.

One approach, adopted by Grey International within the past year, is to set up a separate unit to give strategic brand advice. Simon Ratcliffe, managing partner of Grey Brand Futures. says this enables an ad agency to exploit its brand and consumer

expertise effectively.

"Agencies are not trying to

compete by providing a number crunching exercise. Grey Brand Futures is specifically looking at strategic brand development where consumers will be in the next five to 10 years. That is where our expertise is."

For their part, some consultants talk about a symblotic rather than competitive relationis no reason to suppose they intend to step back from the range of advice they currently give clients.

The turf war looks set to intensify hefore there is any prospect

elationships between a product and its consumers and hetween an advertiser and its advertising agency are at the heart of all successful advertising

campaigns, writes Meg Carter. But a weakening of the clientagency relationship is posing a threat to the long-term bealth of some brands, a number of senior agency executives now fear.

In New York recently Domino's its \$75m (£46m) advertising account up for review. The account had been held by Grey Advertising for six years, during which Domino's enjoyed record

The agency-client relationship was particularly close. Grey never before had a client who, at worked closely with Domino's on the peak of success, decided to accounts on the move comes dence sounds like good news, says: "Everyone is being held

a period of rapid staff turnover in Domino's marketing department.

But the appointment of a new marketing chief, Cheryl Bacbelder, quickly led to an announcement of an agency Pizza announced it was putting teview. "The best time to advance the ball is when you are winning," she told an interviewer. "In this competitive environment, we can never rest on

> Invited to te-pitch for the account, Grey refused. "We've

case like this, we've done what we were paid for, so why compete? My view is we're just not compatible any more.'

It is an advertiser's right to review its options. But other agencies have expressed concern at recent, unexpected breakdowns and advertiser-agency realignments. A growing number of such developments are occurring in the hope of short-term gain, not the long-term interests of brands, agencies claim.

new product development and review," Grey Worldwide's presi- from the UK's Advertising some agencies fear it conceals a more accountable. There is less remained a constant ally during dent, Ed Meyer, explains. "In a Agency Register, which offers decline in clients' management room for excuses and forgiveconfidential advice to advertisers on agencies' credentials. AAR chairman Lyndy Payne says: There is undoubtedly a feel-good factor rubbing off on companies, which are now more willing to

review their agencies." Advertisers are more confident. she says. "Last year, far less business moved agency than in the previous year, which was a particularly busy ooe, 1997 has got off to a fast start and we expect it to exceed the rate of change in Proof of the growing number of 1995." Although tenewed confi- based Ammirati Puris Lintas,

standards.

"Agencies seldom get fired for doing bad advertising," says Toby Hoars, chairman and managing director of Young & Rubicam, which recently resigned the Bausch & Lomb Europe account, "Sometimes a client will say an agency is 'stale'. I would argue clients are often far too hasty to change direction tather than build on what was there before." Andrew Cracknell, chairman and creative director of London-

Senior marketing executives are spending less time in their posts," says Hoare, "A recent survey suggests the average length of tenure for a marketing director today is between 18 and 19 months." That means marketing directors want to make their mark fast before moving on.

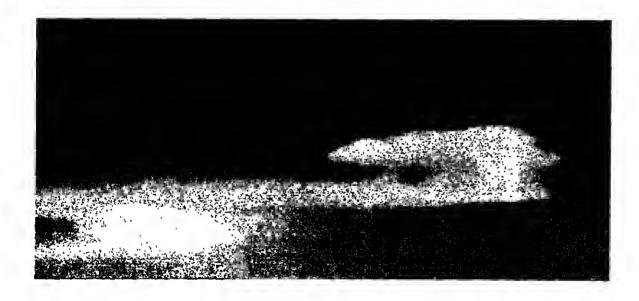
"Short-termism is driven by people's need for speed. They'll probably only be in the job two or three years, so want results today," says David Barker, chair-

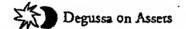
Barker & Raiston A new marketing director will not find it easy to change a product immediately. "However, they can instigate an agency review on Day 1 to announce; 'I've arrived'. We live in an age of

quick assessments and quick

solutions for spectacular results." Budgetary pressures are another factor, says Deborah Morrison, director of membership services at the Incorporated Society of British Advertisers (ISBA), a trade body. "Growing demands for accountability have placed greater emphasis on justifying pounds spent," she says, "More purchasing departments are becoming involved in negotiations between agency and client, yet many are more used to buy-

EDVA: 18





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#### BUSINESS EDUCATION

Della Bradshaw assesses the latest European accreditation process

# Credit rating

urope's business schools have opted for an exclusive accreditation process to recognise the cream of the

With only 15 of Europe's most prestigious business schools due to receive the accolade in the next two years, the process could cause a huge political row among those which are not accepted in tha process - especially in the UK where there are well over 100 business

Nevertheless, schools have insisted on a "high-quality label", not one diluted by the inclusion of all schools in Europe, says Bernadette Conraths, director-general of EFMD, the European Foundation for Management Development, the business schools' trade body.

The European quality label will be issued under the auspices of the EFMD, which has set up a separate agency to oversee the process. This Equis unit - Equis stands for European quality improvement system will accredit the whole school, not

The target figure of 15 schools to be accredited over the next two years is based on the capacity of the system rather than being an indicator of the quality of the schools, points out Conraths. However, 17 schools have already signed up as pioneers and they will be the first on the accreditation list.

The 17 accreditation candidates include Insead in France, IMD in Switzerland and London Business School in the UK, widely recognised as Europe's three most high-powered schools. Also on the list from the UK is Ashridge, but schools such as Cranfiald, Manchester Business School and Warwick, often regarded as among the elite, are absent. Seven of the 17 schools are French

and three are Spanish. Conraths believes UK schools are unwilling to sign np for further andits, even though they are in favour of the accreditation system. because they are already the most heavily audited in Europe. As well as the UK business school accreditation system, they have government

esearch and teaching audits as part of the country's higher education

The move to a single European system is a break away from EFMD's previous position - the Brussels-based organisation had planned simply to ratify the accreditation carried out by national organisations in each country. But the shift has been made under pressure from the deans of Europe's most influential schools.

"Schools have said they want a clearly-defined European-level prowhich is separate from stroke the egos of the school national-level accradit-should be to belp consumers."

ation," according to Conraths A further pressure has been moves by the American accreditation body. the AACSB, to export its accreditation criteria to Europe. However, the UK's accreditation body. Amba (the association of MBAs) is not altogether happy with the process. Director General Mike Jones believes accreditation should help consumers choose the most appropriate school, something which accreditation of 15 to 30 schools across Europe will not achieve. Says Jones: "Accreditation shouldn't be to

stroke the egos of the schools. It

## Management training takes to the runway

Airport managers are now getting their own MBA courses, says Michael Skapinker

set up by BAA, the UK airports group, and the University of Surrey.

says the programme is part of the group's

ambition to acknowledged as the best-run airports company in the world. The group, whose airports include London's Heathrow and Gatwick, already runs airports in the US. It also has ambitions to run airports in Italy. Australia and South Africa. Sir John says: "To

become the best airport operator in the world, we must have the best people in the industry and equip them

Internet, which will also be used to deliver course materials. Students will be able, through the Internet, to gain access to

Students on the BAA course will discuss their material with their teachers on the

Few masters of business administration BAA is also offering an 18-month students spend their time discussing airport part-time Diploma in Management Studies security or the management of check-in and a one-year Certificate in Management counters. These are some of the topics, how- Studies. These courses will also be conever, to be covered on a new MBA course ducted over the Internet and supplemented by residential weekends.

BAA will initially be restricting the Sir John Egan, BAA's chief executive, courses to its own staff. Within two years, however, it bopes to offer the courses to

> tion industry. The outsiders will pay for their conrses. BAA staff will be asked to hntion to the cost of their courses, which will reimbursed if they complete them

successfully. BAA says it wants to put 50 of its staff through the MBA five years. It wants

employees from terminal duty managers to firefighters and security staff doing the

assessment rather than formal examinations. Students will do work-based assign material in the British Library. In addition, ments as well as project work. In addition students on the two-year part-time course the MBA students will be expected to pro-

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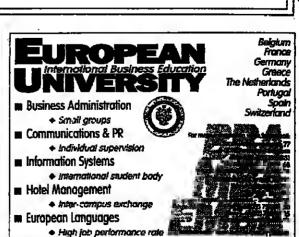
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#### **BUSINESS TRAVEL**

#### Travel News · Roger Bray

#### **Pristine Palace**

The Palace Hotel in Madrid, whose glittering guest list has stretched from film star Buster Keaton to the King of Spain, is about to undergo a big refurbishment. The nine-month operation will start with the facade, move on to the renovation of 274 rooms - including banqueting and meeting rooms - and finish with the installation of new technology such as audio-visual facilities. Operated by FTT Sheraton, the Palace opened in 1912. It stands close to the Prado gallery and is one of the

city's two *grande dans* hotels. The other is its rival. the Ritz, which is almost

#### Free fax

Rail travellers between London, the East Midlands and South Yorkshire will soon be able to fax without charge from the train. The move follows a deal between Midland Mainline, which operates services between London's St Pancras station and cities including Leicester, Sheffield and Nottingham and Canon, the machines'

manufacturer. The fax machines are expected to be installed during the mmer. If there is hotocopiers may be added

#### No longer dry

Qatar Airways, previously a dry airline, is to start serving alcoholic drinks in first and business class. The date of the change has yet to be fixed, but it is certain to be made by the time the airline shifts its London operation from Gatwick to Heathrow on March 31. The move, to Heathrow's Terminal Three, will be seen as a challenge to rivals

Emirates and Gulf Air, The shine will offer four round trips to Doha a week until May 4. After that, the service will be delly. The same aircraft will continue to Abu Dhabi. Flights will be by Airbus A300-600 with a relatively generous 55-inchseat pitch (the gap between the back of your seat and the one in front) in business

#### Airport upgrade Egypt is to build three new sirports - at El Alamein, west of Alexandria, Dahab (south Sinal) and Mersa Alam on the Red Sea. The government's national ...

aviation plan also envisage

big improvements at six international airports, including Sharm El Sheikh Luxor and Aswan, as well: as the development of three estic ones, among them Port Said, to bring them up to the standards required to handle international flights.

### Service switch A reminder that British

Airways will switch its Latin American services from Heathrow to Catwick from next Monday. Flights to Bogota, Buenos Aires. Caracas, Mexico City, Rio de Janeiro, São Panio and Santiago (Chile) will depart from Gatwick's North Terminal. BA hopes that the

move will kill two birds with one stone, creating elbow room at Heathrow and stimulating extra traffic on the routes.

#### By the brach

Monte Carlo is to get a new convention and exhibition centre for the new millennium. The centre is being built close to Larvotto Beach, most of it below sea level. Due to open in 1999, it will have a theatre style main hall seating up to 1,900, and 25 other meeting rooms. There will be a banqueting room for 1,000, 7,000 sq m of exhibition ace, three restaurants and

Likely weather in the leading business centres

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assengers aboard the cruise liner Silver Cloud could hardly believe their eyes. Dinner-jacketed waiters carrying champagne on silver salvers appeared to be walking on

The stunt was requested by a clieot organising an incentive trip to the Caribbean. He asked the line to ensure that its ship sailed close to a sandbank. The waiters sneaked off in a small boat and stood only an inch or two above

The fun goes on, but the incentive travel business, which is reckoned to be worth £600m (\$968m) in the UK alone, has matured. The prospect of a breather in an Irish castle or the Greek islands is no longer seen simply as a hucolic prize for exceeding sales targets, but as an integral part of maintaining the lovalty and morale of work-

Companies arranging such trips are far more streetwise than they were in the early days. Certainly companies such as Silversea. which operates the Silver Cloud and can charter whole ships to incentive groups, would never repeat the mistake that one of its rivals made.

The story of the line that sent post-cruise greetings cards to the homes of male passengers, saying how delighted It had been to host them - and their wives - on board has become part of the industry's

"Incentive travel is no longer just a matter of rewarding people who have done well," says Sarah Webster, executive director of the UK-based Incentive Travel and Meetings Association.

"The message is much more

# Treats for those who are going places

Incentive travel has undergone big developments and its importance to companies is growing, says Roger Bray

thing of the past and a lot of people are on short-term contracts. But on the other, the realisation is grow ing that high staff turnover is expensive and that you could be losing out if you don't keep good

The association runs an annual awards scheme to encourage creative thinking. Among recent winners was "Top Gun 95", a scheme to stimulate the UK sales team of Compaq, the US computer company. Prizes ranged from leather flying jackets to a trip to Houston.

with a flight in a fighter. Shaun Casey, director of travel operations at The Travel Organisation, reckons there are about 100 companies in the UK organising incentives and that the number of employees and sales agents taking advantage has grown by 20 per cent in the past year.

"Because the huver is becoming so much more sophisticated, there is additional pressure on the incentive house to be professional. We spend weeks and weeks with clients making sure we understand the delegate profile.

"Based on that profile we have just suggested trekking in Nepal to a financial services company, for sophisticated than it was in the example, it's a long-term client and 1930s. Now it has much more to do the participants will be high-flying to continue their journey on bicywith keeping your staff happy. On sales people. Previously we cles of various vintages after their the one hand the job for life is a arranged horse riding for them in coach "hroke down" - organ-



says, appeal simply because they are relatively novel.

It is vital that everything works smoothly. While incentive groups are sometimes confronted with fake emergencies - like a group in the Netherlands, who were asked

Arizona." Some destinations, he isers are keen to minimise the risk of any real emergencies. "We spend quite a lot of time

researching destinations. You can't afford to be let down by infrastructure - to get stuck with buses which have no air conditioning or break down, for example. Recently chance to drive a Formula Renault we have been looking at Vietnam car round circuit. And prizes at the and Burms, where Orient Express has a boat on the irrawaddy river. but for wine tasting too.

"We have already done a trip for a computer software firm to Borneo, where there's quite a lot of soft adventure, such as white water rafting and staying in a local where there's quite a lot of

ness centre.

The average long-haul spend per person from the UK is about £2,000, he says. For trips to Europe it is probably £800 to £1,000.

It follows that few destinations want to miss out on such lucrative business. East Europe has moved smartly into the reckoning, Incentive groups in Prague are taken on vintage trams, plied with champagne and serenaded by accordion-ists. In St Petersburg it is possible to hire the Yusupov Palace, where Rasputin met his death by poison-

ing, for dinners and balls. Later this year in Turkey, members of Sony's Spanish salesforce will be driven a short distance from Istanbul to board a steam train back to the city's Sirked station, terminus of the original Orient Express.

The station, says Sadik Caglar assistant general manager of Tantur, the organising travel company, will look "like a movie set", with porters in period dress carrying old leather luggage. There will be red carpets from train to waiting lounge, where the group will enjoy an evening of tango.

The choice is enormous. From the ruins of Delphi to the Vatican, and from moonlit Arabian barbecues in Duhai to treasure hunts by boat in Venice.

French-owned Concorde Hotels has just announced a tie-up with the Le Mans racing circuit to offer groups of 40 to 60 people their own "24 hours challenge". They will not be expected to spend long hours at the wheel, but there will be a end are not just for demon driving,

## Scandinavian link-up

anish airline Maersk is teaming up with Finland's Finnair to challenge SAS on Scandinavia'a husiest trunk ronte, between Copenhagen and Stockholm. From April 28 the two airlines will each operate four flights on weekdays under a codesharing arrangement. There will three services on Saturdays and four on Sundays. The two airlines, which hope to win a quarter of all traffic on the route within a

year, say they are offering generously discounted introductory deals. Passengers with hand beggage only will be able to check in just 15 minutes before departure. From yesterday, Rome's

Via Appla stretch of the ancient Appian Way is being closed to motor traffic on Sundays. The Via Appla, lined with aristocratic Roman tombs and early Christian catacombs, has long been a favourite with visitors. But heavy traffic and lack of pavements have made it difficult to explore. The motor traffic ban on Sandays will link the historic section of the Appian Way with the Via dei Fori Imperiali, near the Colosseum, producing a nearnine-mile pedestrian and

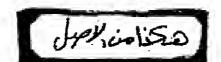
· Marchers in Pretoria protesting against crime in South Africa got a first-hand

urday when an armed robbery occurred 60 yards away. The march was one of several in hig cities organised by the Congress of South African Trade Unions. · Visitors to Lisbon are discovering that the most fashionable places after dark are the city's African nightclubs, which started to enjoy a boom three years ago when Portugal's economy picked up. Two dozen African nightclubs are scattered across Lisbon.

"At one table you see a poor man, at another the jet set, and at another some intellectuals. You get everyone here. They all come for the beat," says nightclub minder and singer Andre Cabaco, from Mozambique.

The African nightcinbs are drug-free, unlike other nightspots in Lisbon where the problem is rife, nightcinb workers and residents say. Entry charges range from \$9 to \$18 per head. Egypt and Australia will sign agreements today to increase air links and trade between the two countries. the Australian embassy in Cairo said. The first agreement will allow the national carriers, EgyptAir and Qantas, to operate in each other's country. They already fly between the two countries, but the agreement will formalise services.

THE AMERICAN EXPRESS VALENCIA, Tuesday, June 13-Her job little read "Administrative Support," but for Rosa Bares of our Travel Service Office in Valencia, Spain, a more fitting title might have been "Administrative, Medical, Emotional and Moral Support." She earned it when she helped a Cardinember return home to Spain from Russia for an operation (that was after arranging for medicine to be flown to Moscow) and accompanied the Cardmember's wife to the airport for moral support. Ask Rosa, and she, like a lot of American Express employees, would say, "I was just doing my job." That's something to keep in mind when you're far from home and have a There is only one Imerican express. job for us to do.



#### MARKETING / ADVERTISING

# All eyes on Hollick's first hurdle

Post-merger results from United are imminent, reports Christopher Price

here were few plaudits for strategic logic when tha UK's United News & Media merged with MAI just over

The joining of Lord Stevens' Express newspaper group and Lord Hollick's television and financial services company was seen hy most observers as a defensive move amid a consolidating media industry.

But there bave been some dramatic changes at the new United in the past 12 months, and on Friday investors will get their first chance to judge the developments taking lace when the company unveils its first full annual results.

The figures will be complicated by several exceptional items, ranging from an estimated £32m (\$52m) of provisions for a shake-up of tha national newspaper business to at least £50m set aside for the start-up of Channel 5, in which United has a 29 per cent stake.

With gains from disposals offsetting some of the costs, pre-tax profits of about £285m are likely to fall to £235m, compared to £258m last year on a pro-forma basis.

The array of one-off costs and additions reflects the wholesale shake-up of the merged group. This bas not been confinad to the restructuring of the husiness, but has also involved a fundamental

shake-up of the management. The most significant event was the decision by Lord Stevens, only 10 months after the merger waa announced, to relinquish his executive duties and become part-time chairman at the next annual meeting. For many observers, the decision underlined the suspicion that the merger was a tacit takeover and that the real power lay with Hollick. the chief executive.

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Formerly more than half the execntive board was from the old United. Now only three survive. Hollick has recruited David Arculus from Emap. the media and exhibitions group, as his deputy, while Stephen Grabena, former managing director of the Telegraph group, has come in to bead the newspaper operations.

operations: broadcasting, business services, financial services and US and consumer publishing. The executive director of each division sits on the 16-strong board.

While the head of financial ser-vices and the finance director report to Hollick, Arculus, who joins in two weeks' time, will be responsible for the rest of the group.

Hollick, who has a reputation as a shrewd deal-maker and a stringent manager of costs, is also keen to oversee an organisation which encourages responsibility and tha generation of ideas. "You have to let business flourish, to become entrepreneurial. These are highly competitive markets that we operate in and we do not simply need managers, we need risk-takers. Part of the challenge of the merger has been to change the culture and reinvigorate the management. The old style of management was hierarchical, whereas I believe in a flat structure in which everyone participates."

While Hollick will concentrate on strategy, it will be left to Arculus to manage the hulk of the businesses. 'My strengths are in building brands and hacking creative teams," be

Arculus was instrumental in building Emap's exhibitions group and will have the opportunity of overseeing the integration of the Blenheim exhibitions group, bought for £592m. It has been merged with United's existing trade magazine and exhibitions business which operates out of the US under the Miller Freeman

Analysts estimate business services, incorporating exhibitions and market research, will contribute some 45 per cent of operating profits to 1997 results. It is United's biggest revenue generator and most dynamic market, with analysts forecasting double-figure profit growth during the next three years.

This is in sharp contrast to United's newspaper business, which has been burt by high newsprint costs, competitive advertising markets and declining circulation. Both the Daily and Sunday Express have suffered



Lord Hollick: "The political line of the Express is down to the editor

while the Daily Star is No 3 in the downmarket tabloid market. Hollick describes it as "the sternest challenge" in turning tha busineaa

Some £10m is being invested in the titles, which have been given a facelift and moved to a seven-day operation. Cost savings of £15m a year are promised within three years.

The newspapers have also become less overt in their support of the Conservative party. "More than half our readers do not even vote Conservative, so we are selling them short by being the mouthpiece of Conservative Central Office," says Hollick,

He stops short of suggesting that the Express might do the unthinkable and back Tony Blair, the Labour leader and a close ally of the peer, at the forthcoming election. "The political line of the Express is down to the editor," he says. Grabena puts it more succinctly: "The Express may be more politically open-minded, but it would be a big leap of faith for it to say 'Don't vote Conservative'.'

television, where growth in the advertising market has been pedestrian and the jockeying for position in advance of the proliferation of

United bolds two UK television franchises, Meridian and Anglia, and stakes in HTV, Yorkshire TyneTees, ITN and the SIS satellite channel as well as Channel 5. it is also understood to be talking to International CableTel about joining the DTN consortium hidding to operate three of the six digital multiplexes (bundles of channels) being offered by the UK

Channel 5 is unlikely to be profitable until after 2000, but Hollick believes its potential to be "consider-

Roger Laughton, head of the broadcasting division, identifies developing new niche channels, particularly in pay-TV, and beefing up United's production capacity - it now produces Formula One motor racing coverage for the ITV network - as the twin aims of the group's television strategy.

Despite the changes at United and the attempts to carve a coherent strategy, investors bave been lukewarm. Since the merger, United's shares have underperformed the Tough challenges face United in FTSE All-Share Index and the media sector by 25 and 30 per cent respectively. Hollick and his team will be boping that this week's results go some way to vindicating their stratTim Jackson

# Quest ends for idiot-proof map

aged to drive from Berkeiey to San Francisco without getting lost. Since my sense of direction remains as inept as ever.

the credit for this triumph must go to a company called MapQuest. If you type two US

addresses into the compaoww.mapquest.com - it instantly displays a printable map of tha ronte between the two, together with detailed street directions and a note of the total mileage and predicted journey time. You can even choose whether you want the guickest route or the

ManQuest is a subsidiary of a Pennsyivania company called GeoSystems Global that specialises in geographic database software. Started by Barry Glick, a scientist with a PhD in spatial analysis and geographic information systems. GeoSystems bas been selling digital mapping systems to companies for five years.

lt provides intelligent vices to users of cellphones. bers who need to make a long journey.

In 1995, Glick and his coleagues hegan to realise that the Internet gave them an opportunity to bring their technology to a wider audience. The AAA system. useful though it is, doesn't help people who are already late for an appointment when they realise they need a man.

maps to CD-Rom publishers, and to companies offering operator-assisted ser-One client is the American Antomobile Association. which sends out customised ronte maps by post to mem-

To bring the company's

on Wednes- Systems set up MapQuest as a new subsidiary in a naw office in Denver. A dozen people spent 10 months designing its web interface. Denver may seem an odd choice. Perry Evans, MapQnest's president, explains that it combined proximity to the west coast with low land costs and

pleasant living conditions. Lika many Net bnsinesses, MapQuest aims to make money in two ways. One is by selling advertisements to companies that want to reach the users of its mapping service. The going rate is \$0.02 per impression, meaning per boasts about 100,000 daily

users of its web site, gener

ating more than Im hits. Some advertisers pay donble the price for geographical targeting. For instance, a hotel can choose to advertise only to people who have asked for a ronte map that takes them within 10 miles of its front door. The seiling point of this advertising is that most other kinds of geographical advertising on the Net depend on the customer's willingness to type in an address.

The company's other revenne source is from seiling its mapping service to other website owners. If yon're a real estate agent, a retail chain, a travel agency or fast-food hnsiness, you can repackage MapQuest maps as your own. Fees are based on the number of maps dished np, and range from \$2,500 to \$30,000 a year. What makes this still more attractive is that webmasters can add the mapping facility to their sites in less than an

Instead of storing the database on their own compnter, which increases costs and slows down web page access, customers sim-

Last week, technology to the web, Geo- ply insert a hypertext link from their site to MapQuest. That delivers the man direct to the end user, but in the corporate colonrs and fonts chosen by the

> MapQuest is an impresprofit mntive is bringing together a wide range of useful toois, making it possible to set up a site that gives Information of real value to customers swiftly. But this is only the beginning. Today, the company adds new "segment maps" to supplement the direction-giving service with detailed maps showing each twist and turn on each

In the next few weeks it will add street-level maps for a number of European countries (though not, unfortunately, the routefinding service). In the long term, Evans has two ambitions. One is to become the "ieading delivery vehicle" for printed maps. The MapQuest web site already has 1m registered users,

Evans wants to extend this to customised maps for travel. If you are going to a conference in New York, for example, you will be able to name the hotel where you propose to stay. and ask MapQuest to print yon a personalised map showing the hotel, the conference venue, banks offering foreign exchange, local sights and sushi bars within a i0-minnte walk of

your hotel. Evans's other ambition i for MapQnest to exploit new revenue sources, either by getting users to pay directly or by persuading hotels and airlines to pay a commission when the com

pany brings them business For the moment, MapQuest offers a useful and convenient service that is free Use it while you still can.

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## Stripped and stranded Channel 5 aims to attack

Raymond Snoddy discovers "modern mainstream" broadcasting

UK's new Channel 5 television cbannel, was particularly pleased that the English rugby team were pinned into their own half for long perioda in their recent game

against France. Not that be wished the English team ill. His pleasure came from the fact that as England struggled, tha "Give Me 5" - for Channel 5, which is launched on March 30, filled the screen.

Channel 5 may bave been a long time in coming - the Independent Television Commission rejected the aole applicant in 1992 - but there is now very high awareness that a new, nearly-national UK television channel is about to be launched.

Eighty-five per cent of the population are aware of the new channel. And, as a bonus stemming from the requirement to retuna 10m video recorders which could suffer interference from the Channel 5 signal, awareness in retuning areas is as high as 96 per cent.

But once all the video recorders have been retuned and the promotional campaigns run, what will Chan-

world of digital television, where several bundred channels could soon be on offer?

in terms of programming budgets, Channel 5 will lie somewhere between cable and satellite channels and normal terrestrial channels. The £110m (\$179m) a year it will have to spend on programmes is three times the amount available to Sky One, the leading satellite channel, which has a 5 per cent viewing share in cable and satellite bomes.

But Channel 5's £110m a year is tiny compared to the 2600m available to ITV this year for nationally natworked programmes alone. To make as much impact as possible, Elstein, a formar director of programmes at Rupert Murdoch's British Sky Broadcasting, has adapted the "stripped and stranded" schedule of tha

cable and satellite world. A "stripped" show runs on consecutive days at the same time each day. A "stranded" show rotates with other similar shows in the same time alot each day. The aim is to imprint our strip schedule in and is likely to amount to a Cup qualifying tie on May

avid Elstein, chief grammes will it show? What Elstein, who is aiming for a On one side, Airey told the executive of the chance will it have in a 5 per cent share of total Royal Television Society last nel 5's first year on air.

At 9pm each evening, for compete with the BBC's Nine O'Clock News and The News at Ten on ITV. There will also be news on the bour every hour, and a halfbour bulletin. Each weekday evening at 6.30 Channel 5 will screen its own soap opera, Family Affairs.

lstein has managed to drive down unit costs and bopes to get "a far hetter bang per buck than any other channel" by ordering long runs of programmes. The channal bas been

designed to appeal to a wide audience but its profile is younger and more up-market than the UK average. Dawn Airey, the Channel 5 programme director, says it will offer "modern mainstream television. This she defines as "intelligent, stylish, popular culture".

"Modern mainstream" will nel 5 look like? What pro- people'a minds," says third force in UK television.

viewing at the end of Chan-month, there would be ITV, still seen by many as television's equivalent of Butlin's example, Channel 5 will holiday camps, and the worshow a feature film: a thiness of BBC 1. On the scheduling device that may other: the often contrived outrageousness of Channel 4 and the post-modern trendi-

ness of BBC 2. When it launches, Channel 5 bopes it will be able to reach 60 to 65 per cent of the UK population and increase that to about 80 per cent by

Elstein believes that its investors - United News & Media; Pearson, the media group that owns the Financial Times: CLT-Ufa, a German-owned broadcaster, and Warburg Pincus, a US investment bank - could do

extremely well. It took Channel 4 10 years to get to a 10 per cent viewing share. Elstein believes Channel 5 could get there much quicker. It may still be a while before Channel 5 is able to broadcast England's rugby game against France from Twickenham rather than merely advertise itself on the hoardings. But the ensure that viewers know be noticeably different from new channel has at least where every programme is. the fare offered by the UK's secured the rights to soccer's "The important thing is to existing terrestrial channels, England vs Poland World FTid - The Internet Directory The following companies want you to them by simply looking them up on u

World Wide Web.

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# Nasdaq woos UK's investors

Alison Smith explains the US stock market's television debut

The washing powders, cars and cat foods that feature so prominently in UK mainstream television commercials have been joined by an unlikely fellow advertiser: Nasdaq, the screen-based US stock market.

Its campaign runs to the end of March, primarily around news programmes in London and snnth-east England. It highlights two of Nasdaq's biggest stocks -Microsoft and Intel - and encourages investors to log on to the exchange's website . for free news and information about US-quoted compa-

tisements for any stock market have run on British teleexchange prefers to focus on mation." specialist financial newspapers and magazines), and the first time Nasdaq has

advertised outside the US. "The UK was an obvious place because the level of individual investment is higher than elsewhere in Nasdaq website. Europe, and there is no language barrier," says Ellen Nasdac's Taverner. vice-president for interna-

tional marketing.

It is the first time adver- the investor, and we are try- at Mediapolis, which haning to communicate that we have a website with instituvisinn (the London stock tional investor quality infor- national ad in the middle of

ened viewer awareness - as similar campaigns in the US

of its increasing importance

Coronation Street, a popular Initial reaction suggests soap opera, would cost the campaign has beight- about £90,000 (\$147,000) and since 1991 have done. There reaching business managers has already been a slight and executives for about

dled the media buying.

While a 30-second

commitment to educating Stead, director of marketing lower," reckons Stead.

reach a broad andience, Nasdag is able to focus on increase in UK traffic on the £25,000 with a centre-break slot in News at Ten in Lon-Using the mass-market don "This selectivity makes medium of television, as television advertising feasi-Nardaq has done, is a sign ble for new advertisers. because they are able to tarin targeting consumers get more closely and tha "Wa have a corporate selectively, says Dominic costs and wastage are

of net growth

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#### **COMMENT & ANALYSIS**



Philip Stephens

# Danger: landslide

Tony Blair has set his face against loose talk of a crushing Labour victory, but the general election is his to lose

Two recent newspaper articles infuriated Tony Blair. One said he had already selected the paintings from the national collection which would soon adorn the walls of 10 Downing Street. The other gave a list of the Naw Labour sympathisers lining up to join Gordoo Brown's Treasury.

The reports, trivial in themselves, owed much to journalistic imagination. But it was the subliminal message rather than the errors of fact which annoved Mr Blair. Here was an opposition measuring for the curtains before a single vote had been cast. The misplaced triumphalism of the 1992 campaign taught Mr Blair there are few things more dangerous in politics than hubris.

The timing too was awkward. Two opinion polls showed Labour's lead over still further. ICM reported in the Guardian that Mr. Blair's party was 18 points ahead. In the Telegraph, Gallup said the gap was 26 points. Put that in perspective. Eight weeks before the 1992 election the two parties were neck and neck.

Alongside the Conservatives' crushing defeat in the Wirral by-election, the figures underlined a unique trend. At this stage in the electoral cycle, the gap between the two parties would normally have narrowed sharply. But every survey still gives Labour a lead of more than 15 points. It is unprecedented. The hest achieved by Clement Attlee in the months before his landslide victory in 1945

was 13 per cent. A landslide: a dream which has begun to touch reality. Yet to utter the thought is to usurp the will of the people. The phrase is thus forbidden in Mr Blair's entourage. But it slipped inadvertently from the lips of Robin Cook, the shadow foreign secretary. And, for all the leader's warnings

against arrogant presumption, colleagues find it harder by the day to resist the temptation.

The first-name chais with Whitehall's senior mandarins and the confidential contacts with the security service about personal protection stoke the fires of confidence. Even humble hoteliers regard the election outcome as a foregone conclusion. The management of the Grand in Brighton has announced it will close for police checks two days before Labour arrives for its October conference. They do not take such trouble for

opposition parties. The Conservatives' fortunes turn from bad to awful. Most of the wounds are self-inflicted. Cabinet scuffles over a single currency, loutish behaviour hy backbench MPs and - the latest - the defection of Sir George Gardiner to Sir James Goldsmith's Referendum party: all are piled atop the insufferable complacency over food safety shown hy Douglas Hogg, the

agriculture minister. Mr Hogg's return to the public eye, hobbling on crutches to support a brokeo foot, is an all-toopainful metaphor for John Major's crippled administration. It is probably too late to sack him, but Mr Hogg's unrepentant refusal to

The misplaced triumphalism of the 1992 campaign taught Mr Blair there are few things more dangerous in politics than hubris

in the nation's food chain.

Nor is there anything immediately obvious in the At 17 per cent, the swing to Labour in the Wirral that needed to put him in Downing Street.

poll lead. Fair enough, the pollsters hardly earned our trust by getting it wrong in 1992. But the gap today could halve, then halve again, and Labour would

So why is Mr Blair so agitated? The bigger the majority, after all, the easier it would be for him to deliver on his promises, most obvionsly those on constitutional reform and Europe. The theory peddled by some observers - that a narrow victory would somehow make it easier for Mr Blair to manage his party in government - is daft. Margaret Thatcher never lamented her large majorities.

Mr Blair, though, is superstitious. Complacency risks breeding mistakes and dissent. He has also taken a harder look than most at the arithmetic. This other side to the story appears in the written warning sent to colleagues at the weekend. Against the message of

the opinion polls, the 4 per cent swing required for an overall Labour majority of one in the new parliament may seem less than daunting. The same could be said of the 6 per cent swing which would give a major-ity of 50. But translate those percentages into seats, and Labour needs to take between 55 and 80 seats from the Conservatives.

That means winning in Gloucester and Battersea. Gravesham and Peterborough. Start thinking of a landslide (a majority, say, of more than 100) and Mr Blair has to capture Medway and Norfolk North West, These

admit responsibility is as are places where Torylsm lethal a virus as any found comes with the tap water. Mr Blair has circulated

more figures to sober up his troops. The biggest swing to electoral arithmetic to Labour since 1945, he explain Mr Blair's coyness. recalls, was the 3.2 per cent won by Harold Wilson in 1964. The highest number of by-election was four times seats gained was 59 - in the same year. And a swing of 5.2 per cent to Mrs Thatcher It is the same with his at the turning of the political tide in 1979 was a post

war record for any party. It is these figures which give Mr Major comfort. He draws further solace from the undergrowth of the polls. The voters may mistrust the Tories, but they show little zeal for radical change. That Labour is doing so well is testimony to its safety-first politics. The nation may want fresh faces; it is not at all keen on

brand new policies. Mr Blair knows this well. And in coming weeks the Conservatives will spend many millions in a last effort to nourish the voters' fears. The more certain the prospect of a Labour victory, the more powerful will be tha searchlight abone into the darker corners of its prospectus.

Yet the general election is now Labour's to lose. It will take an avalanche to eliminate its present lead. And, if recent events are a reliabla guide, we have entered territory where anything is possible, including a landslide on the scale of those in 1906 and in 1945.

Most of the time the British are cautious folk. They have a soft spot for the underdog, and they occa-sionally tell fibs to opinion pollsters. So Mr Blair is right to believe that loose talk about landslides may well be a self-destructing prophecy. But just as Mr Major dreams of a spectacular Tory recovery, Mr Blair would hardly be buman if in the odd idle moment, he did not muse on the prospect of governing with a

majority of 100.

## ·LETTERS TO THE EDITE

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## Delayed debt relief will cost Uganda dearly

From Mr J. S. Mayanja-

Nkangi Sir, Your correspondent Robert Chote noted on February 26 ("Uganda can expect debt relief next year that under the Highly Indebted Poor Countries' debt initiative, relief for Uganda may be not given until April 1998 or even April 1999.

The government of Uganda has become increas ingly frustrated by the prospect of delay in multilateral debt relief. Under the initia tive, such relief is supposed to be given after a six-year record of adjustment has been established.

At the time of the interna tional Monetary Fund/World Bank annual meetings last October there was a widespread view that as Uganda already had an eight-year record, debt relief should be given as early as possible, with the options of spring or summer 1997 explicitly discussed. Any delay is not merely an issue of timing a completion point in April 1998, rather than April 1997, would mean that the debt

be cut by half. The government of Uganda is absolutely committed to implementing free primary education for four children per family, which means that it is likely that the number of children in primary education this year

relief to be provided would

will double. It would be both ironic and unfortunate if the amount of support to be pro-

ranging reform process

streamlined, and pro-

grammes refocused".

which has resulted in staff

numbers being significantly

His second justification for

the proposed withdrawal of

support is that the needs of

"should preferably be seen

industrial development

reduced, the organisation

vided under the debt initiative were to be delayed and reduced just as Uganda undertakes this major initiative in the social sector.

Some governments have expressed concerns that debt relief may be misused. Let me make three points. First, the government of

Uganda has undertaken reforms in the past because we believe it is in the best interest of our country. DAF and World Bank support has helped to ease the adjustment process, but the conditions linked to their support have mirrored, not driven, government policies.

Second, the government of Uganda is deeply committed to poverty eradication. We have pursued a clear policy of protecting expenditures

integrate industrial develop-

ment with wider develop-

in our experience, unless

industrial development is

specifically targeted for sup-

port, developing countries

are unlikely to succeed in

the restructuring and tech-

mental concerns. However,

on health, education etc from any budget cuts in the event of revenue shortfalls. We would have no difficulty. in setting out these comm ments explicitly as part of any "social conditionalities". linked to the multilateral

deht relief.

Third, the govern Uganda has always been open about the budget process and expenditures. Wehave provided donors on request with full records Again, we would have no objection to making a formal commitment to continuing such an approach.

J.S. Mayanja-Nkingi Minister of Finance Ministry of Finance PO Box 8147 Kampala, Uganda

respect is distinctive and .

valuable, since industry is

grammes, bilateral or multi-

rarely a focus of aid pro-

strongly urge our govern-

sion to withdraw from

ment to reconsider its deci-

lateral. We therefore

## UK must continue industrial development aid

From Dr John Humphrey, Dr Hubert Schmitz, Prof Sir Hans Singer, Prof John Toye

and Prof Adrian Wood. Sir, Malcolm Rifkind has signalled the UK government's intention to withdraw financial support for the United Nations Industrial Development Organisa tion after 1997, subject to a further review.

As one justification he cites inefficiencies within Unido. However, since 1993 Unido has, in his own words. "implemented a wide

in the context of a particular country's development strategy and integrated into its

We agree with the need to

other development activi-

declined in recent years. Unido's contribution in this

nological upgrading necessary for their integration into global markets. These problems are particularly acute for sub-Saharan Africa, where industry has

John Humphrey, Hubert Schmitz, Hans Singer, John Toye, Adrian Wood. ... Institute of Developm Studios

University of Sassor Brighton BN1 9RE. UK

#### Explosive results of ignoring 'millennium bomb' warnings

From Mr Leonard W. J.

Sir, I have been following with interest the debate concerning the "millennium bomb", also known as the

"Y2K" problem. I am not in a position to comment as to why Lord Alexander, my chairman, should suggest auditors do not certify company accounts until 1996 but I am able to comment that he. along with all members of

the National Westminster board, have recognised for some time the need for preventative action and the dire consequences of not effecting all year 2000 changes in good time.

Yes, it is expected to cost the NatWest group some £100m, but as a number of readers are now starting to appreciate, for many organisations it really is a question of investing for survival. For my part, I am confi-

dent that I am working within an organisation which will be millennium compliant (and hence will survive) because we had the foresight and willingness to address all the issues, plan for change and then spend

the money. In conclusion, it is the responsibility of every managing director/chairman in every company to taka action now (if they have not already done so) and if the

cost and inconvenience appear off-putting, think how inconvenient it will be to be out of business in what is now less than three years.

Leonard W. J. Stanley. head of information technology, NatWest Bank, Greece. IT Centre, 296 Kifissias Ave. & Navarinou St.

152 32 Halandri,

Greece

Management · Tony Jackson

## Intellectual revolution

The 88-year-old guru Peter Drucker sees sweeping changes in the coming decades

At a conference in London last week, an audience of chief executives and other luminaries was lectured on the information revolution and what to do about it. One of its star speakers - by satellite - was the 88-year-old management sage Peter

The starting point of the conference was familiar; that the changes wrought by the personal computer are comparable to the industrial revolution. This has hacome such a cliché that it is tempting to challenge it. The Industrial Revolution - the substitution of machinery for human and animal power - was a change so profound that parts of the world have yet to catch up with it. Are personal computers really

that fundamental? Drucker's response to that question, in conversation with the Financial Times, was forthright. There is no real comparison with the Industrial Revolution, he said. What is happening now is far more profound.

His argument is that the comparison is mistaken. The real analogy is with what he terms "the first information revolution" - Gutenberg'a invention of moveable type, and the advent of the printed book.

in Drucker's view, the first information revolution like the second - differed from the Industrial Revolution in two cracial respects. First, it spread much faster. Second, it immediately changed not just methods of production, but what was produced.

"The Industrial Revolution," he says, "was mechanically very fast and socially very slow. It was not until the railways came in the 1840s that ordinary people became aware of change at all. When I was born [in Vienna] in 1909, the revolution had just started to cross the threshold of the home. People had gas and kerosena lamps, hut electric light arrived only around 1900."

And, he points out, it was not until after the end of the





Only Gutenberg had an effect comparable to today's information age, says Drucker (right)

Napoleonic wars - 50 years after the first introduction of textile machinery - that the revolution moved outside the UK. Contrast, he says, the first information revolu-

"Printing took just 50

years to infiltrate the entire west. Gutenberg's invention was in 1444 [in fact, around 1455]. By 1465, the number of printed books was six to 10 times as great as the number of manuscripts. It was that fast. By the end of the century, tha hand-writtan manuscript was as obsolete as the adding machine on which I worked as a young

banker in 1930."

As for his second point: The industrial Revolution did not replace a single commodity. It made axisting commodities available and plentiful, and it made them as like the hand-made version as possible. Factorymade shoes were so close to hand-made ones that only the expert could tell the dif-

"Tha steam ship was as like the sailing ship as possible: it plied the same routes. If you read Conrad's novels. you find the examinations for seamanship were the same in 1880 as in 1820. The first new product of the Industrial Revolution was the railroad."

Not so with the information revolution: "50 years before it, literature meant the Bible and the Greek and Roman classics. Not long after, it meant Shakespeare and Cervantes."

Or taka the huge growth in printed maps. "Without thosa, you could not have

had the age of discovery. "If you read 15th century documents, you find what really upset contemporaries was the effect on people's lives. It gave people an incentive to read They could afford texts which previously only a great noble could afford. An illuminated manuscript of the Bible cost three years' rent on a fairsized estate. Then the printed Bibla came along, costing a week's wages."

This was a process in which Drucker's own family had a hand. His ancestors, be says, started producing Bibles for the mass market in Amsterdam in 1570. His name, in fact, is German for When it comes to the sec-

ond information revolution and its likely effects. Drucker is no less forthright. Its chief impact, he says, will be not on economics or business but on education, "In 30 to 40 years, education will look wholly different, not only in delivery but in con-

Second, the nation state cannot survive. "My 16-yearold grandson is on the internet with budding scientists and mathematicians all over the world, and he considers them his fraternity. That is non-national. You do not need the nation state any

Third, the traditional city will disappear. "That was a child of the 19th century, when people began to move their homes. The 20th century has made ideas mobile." What about the effects on corporations? There are

three developments, he says,

first is a huge merger wave, largely among industries which are well past their peak, such as commercial banking, which won't be here as we have known it in 30 or 40 years. "Second, there is a much higger but less visible wave

working in parallel. "The

of joint ventures, alliances and informal agreemen They do not require governapproval, they mostly do not require money, and you in the Financial Times mostly do not report them because you do not hear about them." Third, he says, a vast

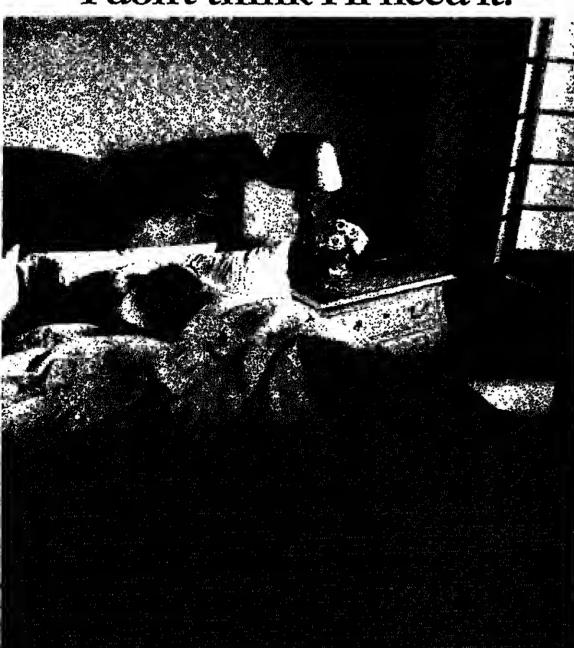
army of small entrepreneurs. from the US to Japan, is being fostered by access to worldwide information. He cites a tiny Californian company making padlocks which you open by talking to them. or a husband and wife team acting as design consultants for the world's aircraft mak-

The Drucker world view need not be accepted uncritically. His view of history is open to argument; and as a futurist, he has lived long enough to see some of his more sweeping predictions falsified

But his main point remains persuasive. Compar isons between the advent of the personal computer and tha Industrial Revolution are not so much overblown as

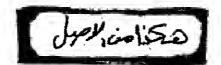
inexact "The Industrial Revolution," he concludes, "was wholly in the material sphere. The changes in the information revolution are

Cancel the warm milk. I don't think I'll need it."



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**NEW YORK** The Glory of Syzantism, opening tomorrow at the Metropolitan Museum, promises to be one of the bigblights of this year's art alegain it focuses on the second golden age of Byzantine delisation, from the mid-night to the mid-13th century, when Byzantism eat a standard of impecial slegence for the Islamic East and Learn West. The entipition features more than

carvings gold and silver objects and icons - many on loan from museurps in eastern Europe. Galina Gontalkova (left) and Vladimir Chemov Metropoliten Opera's new

Carser and conducted by Antonio

ARTS



Of the 40 Oriental manuscripts in the (right), which goes Queen's Gallery, **Buckingham Palace** on Friday. One of the world's greater

Mughal art, it chronicles the first 10 years of the reign of Shah-Jahan, the 17th century emperor who built the Taj Mahal.

The National Gallery is mounting an exhibition of all the paintings by Monet in London public collections, together with major example from private collections. The 25 paintings, on show from Wedne include Autumn Effect at Argenteuil of 1873 and the large Water Lilies

Peter Half'a new repertory company at the Old Vic launches its first season this weak, with Hail's own new production of Harley Granville Barker'a Waste. Opening on Friday this stars Michael Pennington and Felicity Kendal, (left), both of whom are announced to play other leading roles soon in the season.

ne of the minor characters in Othmar Schoeck's Venus (1922) ... voices the Calvinist moral that "only hy limiting our desires do we achieve true happiness". In Antonio Cesti's L'Argia, written more than two centuries earlier, a Shakespearean Fool philosophises that it is better to take Bacchus as your god than Cupid". In both operas, the goddess of love is the medium through which the main characters rationalise their fate: both portray her as an imprisoning rather

· Totale for an

STREET, SALES

CONTRACTOR

W. S. W. Ashard

18 1

than liberating force. Such down-to-earth, unromantic advice is not what most audiences want to hear which helps explain why neither work is much performed. By coincidence, both have just been revived by " neighbouring companies in western Switzerland and noth, in their own way, have :: Deep a revelation.

... Venus was staged at Gene-... za's Grand Théatre in a proinction which underlined he work's autobiographical nspiration. Schoeck spent he summer of 1919 obsesively pursuing a Geneva in instant with whom he had allen in love. When the rela-: i cionship collapsed and she efused to see him. Schoeck and one of his periodic bouts . of intense promiscuity and qually intense creativity. be outcome was Venus, an pera about a man who loses is senses through an obsesion with the goddess of love the unattainable muse. Schoeck (1886-1957) is

nown mainly for his Lieder, which there are more 400. He also wrote some clive late Romantic music and several Of these Venus has best in recent years iario Venzago, wbo preded over the Geneva per-

Conflated from novellas by férrimée and Eichendorff, enus has a poor libretto nd just one role of snbance - the tenor part of orace, a man incapable of xing his love on another uman being because he mnot settle for less than rection. The vocal writing as a Lied-like poise, while a uge orchestra charts a sperbly modulated and ildly dissonant path from e pastoral glow of Horace's strothal in Act 1, through e romantic fantasy of Act

to the self-destructive eltrium of the finale. All us is achieved in just 90 inutes. Schoeck is Strauss ithout the sugar or the

The Geneva performances,



# An obsession with love gets the Schoeck treatment

Andrew Clark finds Venus prominent on the Swiss operatic front

acy of the Swiss conductor and designed by Anthony Baker and Yvonne Sassinot de Lesle, mark an important step in the slow but steady Schoeck revival. The beauty of the production was that it allowed us to see everything ing his withdrawal from reality in the most mesmerising fashion. It also revealed the psychological perceptiveness of Schoeck's music, constantly oscillating

between ecstasy and despair. Act 1, set on a sloping meadow, was a portrait of pre-nuptial calm, over which the exhumation of a statue of Venus - a gift from Horace's eccentric uncle - cast a macahre shadow. Baker's eve-catching decor for the Act 2 wedding party had the indoor/outdoor flavour of a obsession with Venus nings, Hanna Schaer and Isa-

canks largely to the advo- staged by Francisco Negrin (briefly and sympathetically bel Molnar provided a lively brought to life by a dancer) took hold.

In the finale, magically lit by Wolfgang Göbbel, mythology and fantasy became one. Exiled to an abstract world of moon and stars, deaf to through Horace's eyes, trac- the entreaties of tha real Tom Rakewell-like madness. as the mysterious object of his desire vanished hefore his eyes.

Paul Frey's Horace, sung with impressive stamina, was a sympathetic portrait of human disintegration. As his brida Simone, Adrianne Pieczonka brought substance to a waif of a role: she is a soprano of exceptional gifts - charming stage presence, voice of rare beauty, heavenly sense of line - which will one day make her a per-Swiss country villa, which fect Marschallin. Stuart thought of its litany of evaporated as Horace's Kala, David Pittman-Jen- incest, cross-dressing and

gallery of supporting charac-ters. And in the pit, Venzago and the Suisse Romande Orcbestra excelled themselves, bringing clarity, cogency and refinement to Schoeck's rapidly shifting ideas. If this does not win world, Horace drifted into a new friends for Schoeck, nothing will.

esti. the most important Italian opera comeration after Monteverdi and Cavalli, was court composer in Innsbruck abdicated Queen Christina of Sweden visited on ber way to Rome. L'Argia was written as a private entertainment in her honour, and one wonders just what she

look like a vicarage tea party. Everyone lusts after everyone else, but no one's love is requited. There is a gia represents as big a chalresolution of sorts, but the ending is remarkably trueto-life.

our own permissive society

L'Argia has been drawing large, enthusiastic audiences at the Opéra de Lausanne. Originally believed to have run to more than seven bours, it was staged in a of Venus and a wall of mirmodern reconstruction by René Jacobs lasting just under four. The ballets are cut; so are most of the cho- rior at Innsbruck, and the ruses, and the recitatives in 1655 when the recently have been drastically pruned.

The music is like chamimpact but quickly falls flat Tha hest lies in the accompa-niments, tha harmonic Darina Takova. David Pittsplendour of which was viv- singer. Steven Cole, Bernard idly brought to life hy Loonan and Dominique venal intrigue, which makes Jacobs's period instrument

ensemble, Concerto Vocale. Civen lts Wagnerian length, and all the twists and turns of the plot, L'Arlenge for the modern producer as it does for today's audiences. Jean-Louis Martinoty responded with a brilliantly-sustained piece of burlesque entertainment. Hans Schavernoch's unit set was dominated by a statue rors, which reflected in turn the opera's Cypriot setting, the 17th-century court intemodern world. As is often tha case in baroque revivals. there were no stars in the cast, but the singing and actpagne: it makes an instant ing were of festival standard. Brigitte Balleys was tireless

Visse gave stylish support.

## Ballet/Sophie Constanti

## Shallow 'Bites'

Bites programme offers seven works of varying quality, although nothing noteworthy enough to dispel Royal Ballet's inability to nurture or attract new choreographic talent. Ashley Page emerges as Dance Bite's most accomplished contributor. Whereas he has both age and practice on his side, younger dance-makers such as Matthew Hart and Tom Sapsford are in transition to dance adulthood.

lisque, revealed a promising conscience, is the most disappointing candidate. His All Nighter is based on the events that occurred over one long night at a club visited by the choreographer and a group of friends. And although Sapsford is in his 20s, the scene he recreates seems inhabited hy teenagers. Indeed, most of the dancers looked and behaved like 14-year-olds, their adolescent awkwardness disturbingly reminiscent of that of Harry Enfield's Kevin and Perry.

Sapsford's youth cinb romp, an evocation of, perhaps, a drug-induced haze, or of observing the effects of Ecstasy on others, winds down as daylight breaks. As tedious as listening to someone describing their experiences on E or any other chemical substance, All Nighter also risks patronising the very people it seeks o portray. Matthew Hart's Cry Baby

Kreisler, a trio for Jonathan Cope, Cillian Revie and a grand piano, is equally shallow if marginally more fun. In acknowledgement of Kreisler's virtuosity as a violinist. Hart seeks to demonstrate a matching virtuosity in his two dancers. What ensues is a case of competition rather than co-operation between Cope and Revie, the piano over which they clamber and slide being the only safe haven in an occasionally inventive battle of wits.

Likewise, William Tuckett's The Magpies' Tower goes nowhere, taking much longer – an interminable 24 minutes - to do so. Adam Cooper and a trio of women are the hooded, hird-like figures caught in a series of quirky hnt fruitless encounters, meandering along to a

score which unsatisfactorily

his year's Dance combines five Bach keyhoard pieces and a saxophone quartet hy Graham Fitkin.

More rewarding is Figure in Progress hy newcomer Cathy Marston. Opening with a tant but expansive solo for Edward Watson, Marston then turns our attention to her female trio of living Giacometti sculptures, these etiolated figures made human through a

stark physical vocabulary. Next to Sapsford and Hart, Ashley Page, represented by two pieces - his 1995 Ebony Sapsford, whose last Concerto and a Dance Bites Dance Bites effort, Odo- premiere, Room of Cooks - is hardly in danger of being under-developed artistic shown up. Page has produced better works than these, but his attempts to hreak new ground are always under-pinned by a more interesting mind than that revealed in the work of any of hts younger col-

ike last year's Sleep-

ing with Audrey. Room of Cooks is based npon and named after a painting by Stephen Chambers, Page takes the essential features of Chambers' canvas - a man, a woman, a kitchen table and a meat cleaver and makes them the elements of his own stage plcture. But he adds further mystery by introducing a third character - a young man (Matthew Dibble), perhaps the Joe Peep of Chamber's 1989 work? - to the volatile, sexually charged relationship between Sian Murphy and Michael Nunn Page does not so much bring the painting's dark depths and hidden meanings to light, as add a further layer of ambiguity, the entire scene and its turbulent emotions fueled by the perfect nnsteadiness of Orlando Gough's score. Neither Page's Ebony Con-

certo nor Christopher Wheeldon's Povone Pour une Infante Défunte (here without its arum lily design) are sufficiently good to make np for the weaker contributions in this years programme. But they do, at least, pro-vide vehicles for some fine dancing, with Darcey Bussell and Jonathan Cope on Peter Abegglen and Leire Ortneta driving Ebony Concerto with a thrilling, sinnous and urgent physicality.

On tour: Theatre Royal Bath, March 10 and 11.

# ATIONAL

#### **AMSTERDAM**

ONCERT oncertgebouw £ 31-29-6718345 Emma Kirkby: the soprano rforms works by Purcell, andel, Blow, Croft, Greene and artetti; Mar 11

CHIBITION derlands miseum drasvasta 1: 31-20-5232311 Gevengen in het Us. Willem

17 M. Lak 4.2. ...

3 9 0032 overwintert in het shouden Huye 1596-1597: shibition commemorating the Oth anniversary of Dutch plorer Willem Barentsz' landing Nova Zembla, while searching a northern route to the Dutch dies. After being stranded for In months the men attempted return to Hoteland in hand-built ats. Spiriture died during the ego; The adhibition features a ction of the men's eshift shelter on the island includes a large number of cts found on Nova Zembla

and 1990s; to Apr 14

#### **■ BONN** EXHIBITION

Kunst- und Austellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200 Renzo Piano: exhibition Paris. The display focuses on eight projects, showing the to finished building; to Apr 6

#### ■ COLOGNE CONCERT

Kölner Philharmonie Tel: 49-221-2040820 Gidon Kremer, Veronika cellist and double bass-player Schnittke. Part of the

EXHIBITION irish Museum of Modern Art Tel: 353-1-6718666 Joseph Kosuth: the first solo exhibition in Ireland of Kosuth's work, including a large-scale installation incorporating the writings and history of James Joyce and Ludwig Wittgenstein; from Mar 13 to Jun 11

**FRANKFURT** 

CONCERT

Alte Oper Tel: 49-69-1340400 during expeditions in the 1870s Orchestre Philharmonique du Luxembourg: with conductor Michael Stern and violinist Dmitry

examining the work of architect Piano, whose previous projects include the Centre Pompidou in procedures involved from concept

#### LISBON

lagen, Clemens Hagen and Alois Posch: the violinist, viola-player, perform works by Schubert and Schubert-Bicentennary; Mar 12

#### **DUBLIN**

Museo Calouste Guibe Tal: 351-1-7935131 Alphonse Mucha and the Spirit of Art Nouveau: display featuring 134 works by Mucha, loaned by the Mucha Foundation in Prague The exhibition includes photographic works, jewellery, coloured glass and the posters

Sitkovetsky perform works by

Jahrhunderthalle Hoechst

"Brouffards" to music by

Stuttgarter Ballett: perform

Debussy, choreographed by Cranko, "My Way" to music by

François/Revaux, choreographed

by Thoss, "Twilight" to music by

Manen and "Troy Game" to music

by Batucada, choreographed by

Cage, choreographed by van

Schumann: Mar 12

Tel: 49-69-3601240

North; Mar 12

EXHIBITION

DANCE

#### **■ LONDON**

Bernhardt; to May 4

the artist made for Sarah

CONCERT Barbican Hall Tel: 44-171-6384141 London Symphony Orchestra: with conductor Zubin Mehta perform works by Wagner, Shostakovich and Dvorák, Mar 13 Purcell Room Tel: 44-171-9604242

#### Roland Dyens: the guitarist performs works by Dyens and Ravel: Mar 11 Royal Festival Hall

Tel: 44-171-9604242 City of Birmingham Symphony Orchestra, Chorus and Youth Chorus: with conductor Sir Simon Rattle, soprano Andrea Gruber, tenor Robert Tear and bass Simon Keenlyside perform works by Penderecki and Britten; Mar 12

Tate Gallery Tel: 44-171-8878000 Hogarth the Painter: display celebrating the birth in 1697 of William Hogarth, highlighting his achievements as the leading painter of his age. The Tate's collection of work by the artist is shown in its entirety, alongside

loaned works from public and

private collections; to Jun 8

### ■ MADRID

EXHIBITION Museo Nacional Centro de Arta Reina Sofia Tel: 34-1-4675062 Francisco Dunio Y Julio Gonzalez: display of works by the two Spanish artists known for their sculptures and ceramics produced at the turn of the century; to Apr 1

#### ■ NEW YORK

AUCTION Sotheby's Tel: 1-212-606-7000 English Majolica from a Private Collection: sale of over 1,000 pieces of English Victorian Majolica. Highlights include a pair of Minton Figural Candle Snuffers, a Wedgewood figure "Rebecca at

#### the Well" and a Minton Monkey teapot; Mar 11

CONCERT Avery Fisher Hall Tel: 1-212-875-5030 American Symphony Orchestra: with conductor Leon Botstein perform works by

Copland, Siegmeister and Crawford-Seeger, Mar 12

EXHIBITION

Guggenheim Museum SoHo Tel: 1-212-423-3840 Art/Fashion: exhibition examining the exchanges between visual art and fashion design through a selection of sketches, watercolours, sculptural works, garments, photographs and Installations. Works by artists including Christo, Warhol and

Shea will be on display alongside

garments designed by Cocteau.

Dali and Balla; from Mar 12 to

JAZZ & BLUES Blue Note Tel: 1-212-475-8592 Phil Woods Sax Machine: performance by tha alto saxophonist; from Mar 11 to Mar 16

#### PARIS CONCERT

Cité de la Musique Tel: 33-1 44 84 45 00 Michel Béroff: tha planist performs works by Debussy; Mar 13 Salie Gaveau Tel: 33-1 49 53 05 07 Yury Boukoff: the planist performs works by Bach, Chopin, Ravel, Debussy, De Falla and Prokofiev; Mar 11

## DANCE

L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99 The Sleeping Beauty: choreographed by Rudolf Nureyev after Petipa to music by Tchalkovsky, performed by the Ballet de l'Opéra National de Parls; Mar 12

#### ■ THESSALONIKI EXHIBITION

Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6 Sir Antony Caro: "The Trojan War": exhibition of work by the British sculptor who produces abstract metal structures utilising welded objects and painted metal sheets. The display consists of a set of sculptures making up an installation entitled "The Trojan War". The exhibition takes place at the institute Français; from Mar 12 to Apr 24

#### ■ VIENNA **OPERA**

Wiener Staatsope Tel: 43-1-514442960 Das Rheingold: by Wagner. Conducted by Runnicles and performed by the Wiener Staatsoper. Soloists include Hintermeier, Schnitzer and Gonda; Mar 12

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European Money Wheel Nonstop live coverage until 15.00 of European

17.30 Financial Times Business

Toniaht. CNBC:

business and the

financial markets

08.30 Sauawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight



# German coal miners down tools over jobs

By Frederick Stüdemann in Kamp-Lintfort

The men on the bus were tired and angry. After shouting themselves hourse with 5,000 other miners at a demonstra-tion in Düsseldorf against the German government's plans to cut coal subsidies, they were heading home to Kamp-Lint-

fort near Duisburg. Like all mining towns across the Ruhr region, Kamp-Lintfort has been in uproar since Friday when it became known that Bonn planned to cut annual subsidies from DM10bn (\$5.9bn) to DM3.8bn by 2005. Miners' leaders say this would cost about half the country's 90,000 miners their jobs.

Miners at all west German pits downed tools on Friday. The mines are being picketed. Demonstrations have bean held across the Ruhr and some major roade have been

Such direct action ia unusual in German Industrial

works council at Ramp-Lint- on to the streets is the feeling fort, this may soon change. "The mood is hotting up," he says. "It's getting more diffi-

oult to keep people in line."
On the bus Mr Ingendahl fields suggestions for action some want to march to Bonn and take the protest to Chancellor Helmut Kohl's doorstep.

retreat

The Friedrich Heinrich mine

employs about 4,000 of Kamp-

Lintfort's 40,000 population. If

Bonn eticks to its position.

union officials say half the

miners could lose their jobs, pushing unemployment in the

town to more than 20 per cent.

what a surge in unemployment might mean for the Ruhr's role

as Germany'a ethnic melting

pot - a source of local pride.

thing that counts is that

you're a miner. Whether you're called Ali or Fritz

doesn't matter," says Chris-

tian, 33, who has worked at

Kamp-Lintfort since he was 15.

Some are uncertain how

long such harmony will hold

in the face of unemployment.

"If it gets worse then things

which today no one wants to

talk about could start to bub-

ble np," says Mr Karl-Heinz

"Here we stick together. The

There are concerns about

But for the miners the vil-lain is not so much Chancellor Kohl as his junior coalition partner, the liberal Free Democratic party, which has pushed for cuts in taxes and subsidies. "The FDP are ideologues only interested in pure doctrine, said Mr Ingendahl. "But the end result is that the wealth tax is scrapped for the rich while we lose our jobs."

The consensus on the bus was that Germany was moving eway from the social market economy. "Since the [Berlin] wall came down the market economy no longer bas to show it has e social side," said

They accept that Germany's

## revellers that Bonn has reneged on e in a paddy commitment to an orderly

By John Burton in Secui

O'Kim's Irisb Pub in Secul Guirmess, the frish dark beer. you," said a UK official.

stock by St Patrick'e Day, otherwise we're going to have a lot of disappointed customers, said a botel manager.

Nightspot Operators.

## disputes. But, according to Mr uncompetitive coal industry is Ludger Ingendahl, head of the dying. What has driven them **UPS** offers loads of space on its cargo-class service

By Richard Tomkins in New York

First class too expensive? Economy class too cramped? At last, the US has come up with a solution for airline passengers seeking maximum space et minimum cost. It's flying cargo class.

Starting next weekend, thousands of US travellers will be air-freighted to their destinations in the bellies of cargo aircraft bearing the unmistakable chocolate-brown livery of United Parcel Service, the world'e biggest package delivery company.

ome of them to tour operators at weekends, when the aircraft would otherwise be idle.

Passengers will not be loaded into the aircraft on forklift trucks, nor will they sit among the parcels. UPS is using quick change aircraft. speedily swap between cargo

To accommodate passengers, the operator loads seating, galley and lavatory modules on to the aircraft through its cargo doors, bolts them into place, and hooks up the electricity and water. The change can take as little as 30 minutes.

UPS is not the first airline to fly QCs. Some US airlines flew them decades ago, but the earlier technology put too much stress on the aircraft and they were phased out in the 1970s. More recently, Lufthansa,

the German flag carrier, and UPS plans to make extra L'Aeropoetale, e French money from its fleet of 197 domestic carrier, have started cargo aircraft by chartering using QCs to carry cargo or mail et night. But UPS will be the first big cargo company to fly QCs, and the first to put passengers in an aircraft bear-

known as QCs, which can said they cost between \$1m and \$5m per aircraft, depending on the work done.

UPS will charter five converted Boeing 727 aircraft to tour operators, which will use them to fly customers between Mexico and the Caribbean. UPS said the QCs, which

seat 113 passengers, were indistinguishable from normal sircraft on the inside. In some ways, it said, they were better, because the interiors were new and the 33-inch seating pitch was more generous than nor-mally found in economy class. It conceded that the exterior

of the aircraft gave their origin away, but said many passengers would rather fly with a reputable carrier such as UPS than a tiny charter operator they had not heard of "Believe it or not, many

ing a cargo carrier's livery. travel agents who are selling the latest conversions were made by Pemco World Air Sertha UPS connection," the comvices, based in Denver. Pemco pany said.

# Guinness import bar puts Seoul

faces celebrating St. Patrick's Day next Monday without South Korean customs officials have barred the import of it and other canned draught beers, alleging bealth reasons. The Koreans heve decided that Guinness isn't good for

But diplomats suspect one factor is a new campaign by business and "citizen" grouns to curb "luxury" imports after Korea's record current account deficit of nearly \$24bn last year - the largest after the US. Foreign consumer products have often been blamed in Korea for the persistent trade deficit although they account for only 12 per cent of imports. Korean customs cracked

down on Guinness imports after its canned draught brand failed a pressure test supposed to indicate freshness

It did not take into account draft Guinness is less carbonated than other beers, so it was judged to be "flat" and unsuitable for consumption.

The Westin Chosun Hotel, the owner of O'Kim's, is protesting against the decision, which has deprived the Irish pub of Guinness supplies for

two months. We bope to have a new

But other Korean bars and restaurants are campaigning to ban imported liquor, cigarettes and foods from their establishments to fight "excess" consumption. "Don't buy or sell imported cigarettes and whisky," reed banners around Seoul, put up by the Korea Central Council of

Mightclub operators are large consumers of foreign liquor and cigarettes - luxury hostess bars charge up to \$500 for a bottle of imported whisky. This has not deterred Mr Oh Ho-suk, the council's chairman, from condemning imported products. "Our whole society has been overrun by a culture of excessive and hedonistic consumption," he said. "Our people's consumption has overtaken that of developed

countries." The government denies l has a hand in the boycott. A trade official said it was "a spontaneous and voluntary effort by patriotic citizens to help solve the country's economic problems"

But western diplomats blame the government for at least encouraging the boycotts through official statements calling for frugality.

Difficult climate, Page

#### Italian merger

Continued from Page 1

involved in wide scale restructuring to prepare for HPT's flotation and the Marzotto merger. It was also anxious to avoid past errors by being more transparent.

The merger, expected to be completed within a few months, will transform Marzotto from e tightly controlled family business into a public

Europe today

it will continue dry. Local fog

southern and central Europe, where

seasonal values. Cool, unstable air will spread over

south-eastern Europe. Temperature

will fall and showers will develop over Malta, Greece and along the Black See. Bulgaria and western

Rain will mix with snow in north

Turkey will have rain.

states will be sunny.

Five-day forecast

Western and central areas will continue sunny, mild and dry until

The UK and Scandinavia will

conditions will spread into northestern Europe later on. The south will be calm and sunny,

although the eastern Mediterranean

western Russia.

### EU to examine subsidy rules

Continued from Page 1

structural funds - EU funds to aid less-developed regions which must take place before

Under current rules, companies investing in "Objective 1" regions - areas eligible for the highest aid - can receive up to 75 per cent of the investment in EU aid. Investments in "Objective 2" regions, those

affected by the decline of traditional industries, can receive 50 per cent. Mrs Monika Wulf-Mathies, regional aid commissioner, is examining methods to stop the aid sys-

tem being abused. The issue of "competition" in corporate taxation is also being examined at EU level, with Germany and France about to come forward with "code of conduct" on tax.

# FT WEATHER GUIDE patches will lift in the early morning. South-western Russia and the Baltic become unsettled, and the unsettled

will have showers.



Lufthansa

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sun 17 Rangoon
sun 18 Raykjavik
wer 14 Rio
sun 15 Rome
wer 31 S. Froco
felr 22 Seoul
felr 24 Singspore
felr 24 Singspore
felr 25 Stockholm
sun 17 Strasbourg
now 1 Strasbourg
now 1 Telrayler
sun 13 Tel Aviv
felr 7 Terrorito
felr 28 Vennouver
retin 7 Vennouver
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## Monetary cracks Gradually, cracks are emerging in

the continental European consensus that monetary union will start in January 1989. The latest came from Mr Lamberto Dini, Italy's foreign minister, who was speaking in Venice at the weekend. While sticking to the official line that Emu will go shead on time, Mr Dini also acknowledged that a decision may be taken by the end of this year to postpone it a little.

This may seem special pleading by Italy. After all, Italy will struggle to meet the Masstricht criteria if a decision is taken in early 1998 on which countries qualify. Delaying Emu, say by six months to a year, would give Italy more time to put its public finances in order. Cer-tainly, the government would prefer the whole project to be postponed

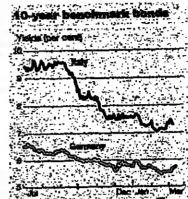
than for Italy to miss its start. But Mr Dini's soin was that such delay could also be in the German government'a interests: because it would postpone a decision on which countries qualify until after the autuum 1996 election. The government could then fight the election without having to answer criticism that it had abandoned the country's cherished D-Mark for a soft euro.

Whether Mr Dini's analysis of German politics is accurate is moot. After all, a slight delay would not necessarily stop Emu becoming an election issue. The government might still face the charge that it was about to merge the D-Mark with the lira and peseta. Nevertheless, this is secondary. The important point is that senior continental ministers are finally acknowledging that delay is possible. And even a slight adjustment of the timetable would increase the risk that the project could be more seriously derailed - with negative consequences for peripheral European

#### Price/earnings ratios

As financial wizards refine new valuation techniques like economic value, the bumble price/earnings ratio is being left behind. This is a pity, because e p/e is still the most convenient way of looking at a stock. But if the p/e is to regain its pre-eminent position, it will have to be bolstered by a little wizardry too.

The biggest weakness is the unscientific way growth is valued. Everybody agrees that high-growth stocks deserve high multiples and say, the fact that UK satellite broad- nal value can be calculated by bound to lose their edge.



THE LEX COLUMN

caster BSkyB trades on e multiple of 37 times June 1997 earnings when the market is on 15? Often analysts do little more than point out that the p/e relative does not look so extreme if earnings are projected a

It is, though, possible to be more precise. Given assumptions about how fast the market's and the stock's earnings will grow and their relative payout ratios, e p/e can be calculated. This can be done in several ways. But the most promising atarts from the assumption that fast-growing companies eventually succumb to the law of averages. Even a Microsoft cannot produce

supercharged growth for ever. Within such a framework, It is possible to play around with different assumptions about how fast a particular stock is growing. Take BSkyB again, whose earnings are expected to grow at an average rate of about 20 per cent in coming rears. A pessimistic scenario could be that BSkyB reverts to the mean after only five years; a middling one that it enjoys a further 10 years of supercharged growth; an optimistic one that it takes 15 years before becoming average.

The calculation can then be split into two parts; valuing the stock et the point when it reverts to the mean (the terminal value); and valuing the dividend stream until

This may look like classic discounted cash flow (DCF) analysis and, in some ways, it is. Normally, though, DCF is used to calculate absolute values. The twist is to derive a relative value. This can be done by taking market prices to determine both e stock's terminal value and the discount rate.

low-growth stocks should have low The assumption about reverting sion to the mean. Again, this is ratios. But how does one justify, to the mean implies that the terminormally fair. Superstars are almost

**Teluring** Telstra applying the market's p/s multiple to the company's projected earnings et the point it ceases to produce

supernormal growth Meanwhile, the market discount rate is the same as the expected long-run total return so it can be derived by edding the market yield to the rate at which corporate earnings are expected to grow in the long term. Such expectations cannot, unfortunately, be directly observed. But, for the UK, a rate of 8 per cent in nominal terms is probably about right. That gives an after-tax discount rate of 11% per

The final piece of the puzzle is the dividend stream. The best way of looking at this is probably to derive It from the projected earnings stream hy modelling a pay-out ratio. This makes explicit the typi-cal link between high growth rates and low pay-out ratios. BSkyB is a rare example of a company with high growth and an average pay-out

ratio of ebout 50 per cent. All that remains is to derive present value by discounting both the terminal value and the dividend stream. To calculate the stock's warranted p/e, eimply divide the present value by the stock's current earnings. What does such e model produce for BSkyB? The pessimistic scenario generates e p/e of 24, the middling one a multiple of 38, and the optimistic one e ratio of 57.

The advantage of this approach is two-fold. First, it allows investors to tease out what growth assumptions lie behind current values. Given BSkyB's actual p/e of 37, the market is effectively assuming another 10 years of supernormal growth before it succumbs to the law of average Second, it forces shareholders to

question whether such assumptions are reasonable. Will BSkyB, for example, really be able to maintain its dominant position in pay-TV for 10 years? And will even that be enough to maintain compound growth of 20 per cent?

There are, of course, caveats. The model assumes accounting earnings are e good guide to underlying cash flow; that all shares are equally risky and require the same discount rate; and the market's earnings will grow at a steady state. Often these assumptions are reasonable. But, if not, it is possible to plug in alternatives - though the maths is then a bit more complicated.

The central assumption is rever-



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**Deutsche Morgan Grenfell** 



Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday March 10 1997

# Return of the good tsar

President Boris Yeltsin bas inate the economy and exercise returned to active political life with a vengeance, seemingly determined to make up for lost time with a barrage of criticism of his government and some bold promises of reform. In his speech to parliament last week he vowed to cut "fat" from the government and heal the economic scars of the communist

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The problem is, we have been here before. Mr Yeltsin is a past master of reformist poses. What counts now, after a year of paralysis, is a detailed, thoughtful commitment to change.

Appointing Mr Anatoly Chn-bais, his chief-of-staff and a formidable administrator, as first deputy prime minister, is a promising first step. But one man, even one as wedded to the market as Mr Chubais, is not enough. The cabinet changes expected in coming days are critical. If he is to foster the competitive economy he promised his people five years ago, Mr Yeltsin needs to assemble a government team with greater

all-round competence. He will also need to give his team the atrongest possible political support. Effecting reforms of the kind Mr Yeltsin has promised means challenging the privileges of the business monopolists who now dom-

undue influence over government policy-making

Restored to strength, Mr Yeltsin would have much to gain from reining in these powerful interests. It could win him plandits at bome. Getting the tax system - and in particular corporate taxes - on a sounder footing would also be of considerable benefit to ordinary people, as well as to the economy as a whole.

That said, it would be foolish to underestimate the president'e task. In some respects the changes he promises would be more painful than Russia's first wave of liberalisation in 1992. Reforming the housing sector would mean raising the costs of rent, maintenance and utilities. Pension reform means commit ting the government to pay less Military reform means sacking thousands of officers.

After eight months of illness and often mysterious seclusion, Mr Yeltsin has impressed his countrymen and the world by proving he can confidently deliver a 25-minute speech with some of the old fire. His challenge now - again - is to push through a complex and almost certainly unpopular programme. If Mr Yeltsin wishes to go down in history as a good tsar, he cannot afford to fail.

## Turkish trouble

A grave constitutional crisis in most trusted institution, proba when Mr Necmettin Erbakan, the prime minister, accepted the rity Council (NSC), signing 20 measures to curb rising Islamic radicalism. But the confrontstion between the army and the elected government leaves worrying questions about Turkish

democracy unanswered. The measures demanded by the NSC were clearly aimed at members of Mr Erbakan's Refah (welfare) party. Ever since forming his government last summer be has been engaged in a tightneously to gratify his supporters, who want more influence for Islam in Turkey's public life, and to reassure the country's establishment, especially the armed forces, which are determined to preserve the secularist

beritage of Atatork The NSC's ultimatum lemanding closure of some religious schools, a ban on propaganda on Islamist TV and radio stations, tighter restrictions on religious dress, and a crackdgim on Islamic brotherhoods ed him to choose between his supporters and the army. latter's defeat of an elected rement is hardly a triumph democracy. Yet the army, ch polls show to be Turkey's

Turkey was resolved last week bly reflected the views of most Turks. Mr Erbakan's party wor :21 per cent of the vote in the "advice" of the National Secu- last elections, and is only in office because the secular parties could not co-operate.

The real flaw in Turkish democracy is the corrupt and weak leadership of these parties. And a more immediate threat to civil liberties in Turkey than Islamic fundamentalism or reactions to it comes from the war against Kurdish nationalism in the south-east, with its attendant human rights

remains amazingly dynamic but suffers from a parasitio state, which drains its resources to finance an unwinnable dirty war, and the rivalry of corrupt political parties. The army which intervened three times in politics between 1960 and 1980, knows well that to do so again would only make things worse. It is high time Turkey's secu-

lar politicians got together to address the country's real problems. Unhappily, they are getting little encouragement from the Christian Democrat leaders of western Europe who chose last week - of all weeks - to decide that Turkey's values render it permanently ineligible for

# **UK** budget holes

The Conservatives have bandied about so many numbers about Labour's spending plans that they are in danger of confusing voters. They have talked of "Brown's 212hn black hole". "Tony's £30hn bill" and asked who would pay for the £700m

Mr Gordon Brown, shadow chancellor, insists Labour would stick to the Tories' spending targets: a 0.3 per cent real increase in 1997-98 and 0.4 per cent in 1998-99. But the Conservatives allege Mr Brown would overshoot by £5.3bn in the first year and £7bn in the second.

First, thay claim Labour would not implement their budget proposals. For example, the £1.5bn of privatisation proceeds pencilled in for 1998-99 depends on Labour finding businesses to sell. Beyond £500m from a sale of the National Air Traffic Service Labour has not spelt out how it would raise this money.

Restricting lone parents' beneffits for new claimants, which abour opposes, would bring in 260m in 1998-99, a drop in the ocean in total spending of more than £300bn. The Conservatives also claim Labour would not use £490m of private finance in the NHS over the two years. But they may be mistaken: Labour is probably more committed to getting round public finance

constraints in this way. The second claim is that Labour has made accounting errors. Allowing indebted local councils to use all asset sales receipts for new projects instead of debt repayment would indeed ncrease public spending and borrowing. But councils would not necessarily use all 12.5bn of

their new found freedom.

Private finance of £320m year to repair echools would count as public spending only if Labour were to bring grant maintained achools back into the public sector, but it is not clear it would. Similarly, the charge that £950m would be needed to expand student loans probably exaggerates Labour's ambitions and underestimates tha scope for treating this as private sector finance.

Third, Labour has said that new employment schemes would be paid for by the windfall utilities tax, but the Conser vatives say they would cost 2600m a year more. Mr Brown's proposals are too vague to ss the likely outcome.

Finally, abolishing tax relief on private medical insurance for the over-60s would not raise enough to cut VAT on fuel to 5 per cent, leaving a £340m shortfall in Labour's budget.

in summary, Labour'a plans do imply an increase in public spending over the government's targets. Although this will mainly be financed by the windfall tax, Mr Brown has not fully explained how he would balance the books. However, the spending debate misses the fundamental problem with the public finances. Public spending has tended to rise at 2 per cent a year since 1979. Accommodating rises in public sector pay by cut ting jobs may not be sustainable. And Labour would find tha public sector unions harder to

ignore than the Tories. Even if the tight plans are fulfilled, the budget deficit still exceeds prudent borrowing by as much as £10bm. That is the real black hole which will confront the election winner.

# White House of ill repute

Open mocking of US electoral law by Democrats and Republicans has shaken any lingering belief in politicians' ethics, says Patti Waldmeir

here is a febrile quality to the politics of Washington at the moment. The political classes are consumed by a fever of indignation. For several weeks, the politicians and the media bave fought what amounts to a holy war over the issue of money and politics.

The argument is pursued in the highest of moral tones: at the heart is the charge that US politicians - and, most especially, President Bill Clinton and the Democrats - have sullied the nation's democracy by selling access, and even national policy, to the highest bidder.

Critics say the frenzy of fund-raising which he led has infected the body politic, overwhelming the country's fragile campaign finance laws and exacerbating an already widespread public crists of confidence in government.

President Clinton is accused of violating the most basic principle of American democracy: that all voices, and all votes, are inher-ently equal. The constitution requires him to lend an ear to all 260m American voices equally. He is accused of listening more intently to those which are amplified by cash, and, most damagingly, to those of people who are not voters at all but for-

The president acknowledges pursuing a fund-raising campaign unprecedented in its scope and its frenzy. But he defends his actions in terms of the national interest: he had to raise buge sums to defeat the foot-soldiers of the Republican revolution.

"We were fighting e battle not simply for our re-election but over the entire direction of the country for years to come," he said last week, on the defensive after a spate of damaging revelations about how he and Mr Al Gore, the vice-president, used the White House to raise funds.

These included the release of internal White House documents showing the president charged \$10,000 to have his picture taken with donors, and set a target price of \$50,000-\$100,000 for contributors to stay overnight in the Lincoln bedroom. A few days later. Mr Gore admitted be solicited donations direct from his White House office.

Still, the president is fact that we worked like crazy to raise enough money to keep from over by the juggernaut this country has seen in a very long time."

Campaign finance abuse was not invented for the 1996 campaign. The cost of campaigns has risen sharply in recent years, and each one has brought new abuses of fund-raising limits imposed after Watergate. But last year the parties stopped even pretending to obey the rules.

This was partly fuelled by Mr Clinton's personal obsession with raising money. "He decided it was Armageddon," says Mr Fred Wertheimer, veteran campaign reformer, commenting on the president's sense of vulnerability.

On the advice of Mr Dick Morris, his campaign adviser, the president pioneered a new ruse to get round a \$37m limit on spending for the primary election cam-paign. He used the Democratic party to finance an extra \$44m in early television advertisements which may have clinched the election. Parties can collect virtu-

ally unlimited donations of "soft money" for so-called "issues advocacy" so long as they are not used to promote a particular candidate. But this is the thinnest of fictions: Democratic "issues" ads prominently featured the presidential visage.

The Republican party did the same, if anything on a grander scale. It even used the same film candidate and "issues" adverts. Republicans raised \$141m in soft money, Democrats \$122m, a combined total nearly three times higher than the 1992 election. This open mocking of the electoral laws has shaken any lingering poblic belief in the ethics of politicians.

All this has brought the Ameri-Watergate. Legislative energy is sapped by the fever of a scandal coma brose erzousty debilitating for months to come. The national political agenda and the media are consumed by it.

There is an element of false naivety about some of the furore. says lobbyist Mr Steve Stockmeyer, of the National Association of Business Political Action Committees (a gathering of business lobby groups). "Oh my God, people are committing politics!" he says in mock outrage.

There is also a measure of hypocrisy: some of the commentators who are pillorying the president for enticing donors with meals, coffees or sleep-overs in the White House manoeuvre fiercely for a place at the president'a table. Almost everyone enjoys proximity to power. that sentiment probably motivated many, if not most of those who flocked to the White House, even if there were some who expected

more concrete benefits. Proving what those benefits were is difficult. Common sense dent assumes the big "P" policies

suggests rational people would not give large sums without the expectation of a profitable return. But even those who follow the money trail professionally say its path is at best obscure.

The Center for Responsive Politics, a democracy advocacy group which published a study, Cashing in: a guide to money, votes and public policy in the 104th Congress, notes "even when money seems to play a role in a policy debate, it's seldom the only factor affecting lawmakers' decisions".

cting is influenced by geography, ideology, temperament, party, age, education, personal frieodships or can political system under the rivalries", the study says. Most undaunted. "I don't regret the most intense scrutiny since political scientists would agree: money is rarely the determining

> of the American Enterprise Institute, this is because public policy debates pit different monied interests against each other. "It works the way Ifounding father James] Madisoo basically figured it would work: these interests balance each other out."

RILLY, SAVE MI NORTH OF

Mr Paul Taylor, a campaign finance reformer who has spearheaded a drive for free political advertising on television, says campaign cash "works on the small 'p' of policy, not on the big " - it might be able to affect the small details of legislation rather than its general thrust. However, he adds that "there is sometimes a lot of money to be made on the small 'p' ".

money does not ao much purchase votes as reward them after the fact: and it follows the political predispositions of members Yet much criticism of the presi-

Most political scientists believe

more often than it leads them.

price tag: that White House policy on China, for example, was heavily influenced by the donations of Asian Americans who may have raised some money from official Chinese sources. Some \$3m in donations, largely from Mr John Huang, a former Democratic fund-raiser and Commerce official, has been returned by the Democratic party, though

no official Chinese link has been Officials of the State Department and National Security Council say it is ludicrous to suggest the president sold US-China policy to Beijing. Policy was reversed in his first term, from an emphasis on punishing human rights abuses to a policy

of constructive engagement, but

there were overwhelming strategic and commercial reasons. The chief executives of the Fortune 500 companies - most of wbom gave nothing to the Clinton campaign and do not even vote Democratic - bad mnch more influence over China policy than John Huang," says Mr Ornstein. He says it is "really farfetched" to imagine US foreign policy is for sale: "You have to go through so many layers to get a

almost require a conspiracy." What foreigners and other donors can buy, though, is access to the president, and that is not without commercial value. In some cases, campaign donors gained places on overseas trade missions. And foreign businessmen can easily turn a photo graph with the president into the kind of status symbol that can generate profits back home.

policy decision ... that it would

But It is a murky business. The bottom line is that no one really knows what favours the candidates dispensed for campaign

cash. And despite protestations

set by the White House bear a to the contrary, politicians appear none too keen to find out - let alone to reform the system.

After much squabbling, Congress looks set to agree an investigation which will avoid the issue of "soft money" almost altogether, focusing only on illegal activities of the presidential and congressional campaigns. This could limit its scope for, as Mr Morris says, "these are such bad laws with so many loopboles. you'd have to be an absolute genius to be a criminal".

Outside Washington, the public is indifferent or scorpful. Most dismiss the bloodsport between politicians and journalists as a Washington game with no relevance outside the Capitol beltway. Opinion polls find the public disgusted by the cost and ethics of campaigns but cynical

about prospects for change. Much will depend on th momentum of the scandal as it develops. It could dissipate or build to a pitch which will drown all presidential utterances on any other subject. Mr Clinton's legislative agenda, his attempts to use the 'bully pulpit' to urge changes be cannot legislate, and his very reputation as a president could fall casualty to the crisis.

Meanwhile, both parties have started fund-raising for the next congressional elections - at the end of 1998.

#### CORRECTION

## **Emu targets**

The figures for EU government deficits for 1997 in Friday's feature "A mark of weakness" were based on OECD estimates published in June 1996. More recent estimates give lower deficits for almost all the countries in the table. We apologise for the error

### More mire at Nomura

Hideo Sakamaki, president of Nomura, Japan's biggest securities company, is under essure to resign over allegations that his colleagues have - again - been dealing with gampeters.

The heat is on Sakamaki because last week Nomura admitted that it suspected two directors of illegally paying offclients. They were almost certainly solongo, corporate extortionists who extract bribes in return for promising not to ask embarrassing questions at whereholders' meetings. An ... official investigation is under

What was that about history repeating itself? Six years ago Nomina staff were found to have been illegally compensating favoured clients for share losses, and also to have been helping a notorious gangster try to corner the shares of a railway company. The two top men at the time, Yoshihisa Tabuchi, president, and Tetsuya Tabuchi, chairman, both fell on their swords. The passing of 'little' and 'big' Tabuchi, as they are known they are not related - was. supposed to signal a corruption free renaissance for

the tainted house of Nomura.

But, as so often in Japanese

corporate life, falling on one's sword lacks the terminal status it possessed in far off Samurai

Nobody paid much attention, at the time, to the fact that Sakamaki - called in to clean up after the Tabuchi affair happened to be the Tabuchis' protégé. Neither was anvone impolite enough to draw attention to this in 1995, when the Tabuchis made a remarkable comeback, having been asked to rejoin the Nomura board as counsellors. So if Sakamaki should now resign, the chances are that few will be convinced. that Nomura's Augean stable is truly cleansed.

#### Share the burden

April is certainly going to be the cruellest month this year for Italians - they will have to fork out the first of two instalments. of a one-off Euro-tax. Prime minister Romano Prodi hopes this fiscal invention will help Italy slip into the first wave of Euro-currency participants.

The heavily progressive Burotax will lighten Italian pockets by the equivalent of an average \$163 per individual taxpayer, in total some La,500bn - no small fee for joining a club that may never open its doors or may refuse the eager applicant. One of the more interesting twists in this tale concerns the

Brifish staff of the UK's embassy in Rome Locally-employed Haffans will of course be expected to pay the Prodi tax. But rather surprisingly, the

British staff will also be paying it; they've been told that their March salaries will have the Italian Euro-tax docked from then. The money will go not to the Italian taxman but back into. A Euro-tax on Brits in the Crown's employ raises some

intriguing questions. Could the embassy be deliberately. sabotaging London's Euro-sceptic efforts? Or perhaps it's running an independent Emu policy? Even more Machiavellian, perhaps the embassy will use the revenues to undermine Italian Euro enthusiasm .

#### Broken spines

Mikhail Gorbachev, the former Soviet leader, was in Warsaw at the end of last week to pick up a prize from Polityka, Poland's leading weekly magazine. Let'a bope be didn't give Lech Walesa - mother former president now doing the lecture circuit - a copy of his latest book.

The reason we advise this is because a tome by Boris Yeltsin, the Kremiin's present incumbent, recently turned up on a Gdansk rubbish tip. Inside

the book was inscribed a warm dedication to ... Lech Walesa. The junking of the text is ... thought to be not so much a form of literary criticism as a blt of house clearance by Walesa. who is moving home Yeltsin gave his book to Walesa when he came to Poland

in 1994 and absent-mindedly said Russia had nothing against Poland joining Nato, a statement since denied by the Russian

Still, at least Walesa wasn't simply prejudiced against Yeitsin. His book was joined in the dustbin of history by works containing dedications from five other, albeit lesser, authors.

#### Mr Personality

The suspense is over. Ukraine's Man of the Year is ... President Leonid Kuchma. who captured the award for the second year running. Kuchma also took the titles for most influential politician, economic policy maker and national

The Taras Shevchenko Foundation announced its choices on Saturday night. None was exactly a surprise - no sane Ukraiman would dream of mounting a challenge. "I can think of no worse fate than actually getting this thing instead of him," says one senior cabinet minister.

## Financial Times

#### 100 years ago Industry in Italy

A lengthy Foreign Office report dealing with the economic and financial situation in Italy draws attention to the rapid way in which that country is becoming self-sufficing through the development of home manufactures. In spite of the increase in population. the imports of manufactured goods have declined about 50 per cent in ten years, "and it may be reasonably assumed that local production has increased in at least the sama proportion." The increase in mestic manufactures cannot, of course, be prevented by us in Great Britain, but, according to our Consul, many classes of our manufactures being imported into Italy are being injured by German and Austrian competition. Like many other Consuls abroad, he urges the advisability of paying more attention to the requirements of the market. .

## 50 years ago

Pay Claim at Gen. Motors The United Automobile Workers of the U.S. have announced that they will ask for a guaranteed 44-hour week and a wage increase of 23% cents an hour for 225 000 employees of General Motors.

#### COMPANIES AND FINANCE

# Restructuring costs hit Telstra results

By Nikki Tait in Sydney

Profits at Telstra, the Australian telecommunications group which has been earmarked for partial pri-vatisation by the federal govern-ment, fell by 38.4 per cent to A\$742m (US\$586m) in the half-year to end-December, after the company took a A\$1.03bn one-off charge to cover redundancy and

restructuring costs.
Telstra said the large abnormal charge stemmed from its previously announced "strategic plan", which is designed to cut about 22,000 jobs over a three-year period. Telstra currently employs just under 70,000 people and has fared

**Earnings** 

Darby up

at Sime

by 56%

poorly in international comparisons of labour productivity. It said about 7,000 jobs had been lost during the latest half-year, through a mixture of attrition.

redundancy and outsourcing.

Mr Frank Blount, the company's chief executive, also said Telstra was continuing to hold discussions over "global co-operative arrangements", such as joint ventures or

Telstra has acknowledged holding talks with Britain's BT and MCI, its proposed US merger parter. Pressed for details, Mr Blount also pointed to discussions with the Global One consortium, traditional areas such as local STD which Foxtel, a joint venture which includes Sprint and AT&T. and IDD calls, but said that the between Telstra and Mr Rupert

we baven't taken anyone bome

Ahead of the restructuring provision, Telstra posted a 16.1 per cent rise in interim profits to A\$1.4bn. The result, however, was helped by a lower depreciation/amortisation charge and by reduced interest costs. Operating earnings before these items increased by 6.5 percent to A\$3.43bn, on revenues up

by 4.8 per cent to A\$8bn. The company acknowledged that mounting competition in the Australian telecoms market had reduced aggregate revenue from

"We're dancing with everyone - increase had come from new areas, including electronic commerce and its ensternised Internet services. . At present, there is a duopoly in the long-distance market and three

players in the fast-growing mobile sector, but Australia is due to move to full competition this year. Telstra said its costs rose fairly modestly, by 3.85 per cent, thanks mainly to lower contractor payments, reduced growth in material

"discretionary" costs.

Capital investment in the half-year was A\$1.94bn. Mr Blount said that Telstra's cable roll-out - over

ite for expansion

costs and tighter management of

Murdoch's News Corporation, is supplying pay-TV services - is about 10 per cent behind schedule and he acknowledged holding talks with rival Optus Vision over possible ways to alleviate duplication. Foxtel said later it made a loss of A\$98m in the half-year.

Telstra also revealed that it is paying a slightly smaller, A\$625m compared with A\$666m last time, dividend to the federal government, its sole shareholder. The government in planning partially to privatise Telstra during the current parliamentary term by selling one-third of its shares to private investors. It is estimated that this will raise around A\$8bn.

# Dai-Ichi

the red

By William Dawkins in Tokyo

Dai-Ichi Kangyo Bank, ons

slow down six years ago. Mr Nozomu Kuhishige of Lehman Brothers in Tokyo said DKB was now in a posi-tion to write off the remain-der of its bad debt portfolio in two to three years. This puts it in the same league as the strongest two or three

# Kangyo to fall into

of Japan's largest commercial lenders, plans to write off Y550bu of bad loans this year, plunging it into the red for the first time.

It expects a Y300bn recurring loss for the year ending this month, instead of the Y40bu profit forecast when t announced interim results last November. In the year to March 1996, DKB made a Y129.7bn recurring profit, one of only three of Japan's top 10 commercial banks to be in the black.

Financial analysts welcomed the write-off and branches. DKB had been slower than most commercial banks to write off bad debts, one reason it was able to declare a profit last year. Its bad loans are a familiar legacy of property-backed lending in the 1980s, when property prices were rising fast, only to decline with equal rapidity when the mestic economy started to

bad debts in its most recent results, for the six months to last September. Despite the coming loss, DKB plans to pay an unchanged annual dividend of Y8.5 per share. In the short term, the loss will reduce DEB's ratio of capital to risk-weighted assets from the current 9.3 per cent to about 8.5 per cent, estimated Mr James Fiorillo of ING Barings in Tokyo. In the longer term, it would allow DKB managers

## CSX, one of the three large eastern US railroads, has expanded its cash offer for Conrail of \$115 a share to include all shares, bringing to an end the long-running

NEWS DIGEST

battle for control of the US rail company. Last week, CSX and Norfolk Southern, its rival for control of Conrail, agreed to divide Conrail between them, and have already started detailed talks. Under the agreement, both will have equal access to the New York Market, currently dominated by Conrail, leaving two balanced networks in the eastern US.

CSX expands cash

offer for Conrail

the eastern US.

Mr David LeVan, chairman, president and chief
executive officer of Conrail, said: "Our amended merger
agreement with CSX gives unprecedented value to
Conrail shareholders and provides that they will be paid:
in under 90 days without regulatory risk."

Mr David Goode, chairman and chief executive officer
of Norfolk Southern, said his company "will now begin

talks with CSX to work out the joint purchase of Conrail shares and the other details of this historic transaction."

#### First europeso securities

The World Bank and its private sector arm, the International Finance Corporation, are set to launch the first europeso flotations offshore in a move which will increase the Philippines' profile in international capital

The Philippines central bank said it has approved the issue of between 2.5bn pesos and 4bn pesos (\$95m-\$152m). The World Bank and the IFC are expected to swap the proceeds into dollars. Deutsche Morgan Grenfell and Citibank will lead manage the World Bank and IFC issues respectively. Standard & Poor's, the US credit rating agency, upgraded the country's sovereign debt from BB to BB+ last month, leaving it one notch below investment Justin Marozzi, Manila

#### GSM boosts Italia Mobile

Telecom Italia Mobils, Italy's state-controlled cellular telephone operator, reported net profit of Leebn (546m) for 1996 after paying L1,050bn in taxes and L77bn in extraordinary charges. Revenues were L7,348bn and gross operating margin was L3,232bn. Comparable figures for the previous year were not available, as TiM was a division of Telecom Italia, the fixed telephony operator, until it was spun off in mid-July 1995. For five and a half months of operations in 1995, TIM made L350hn in post-tax profit on sales of L2801hn. Taxes were L295hn. The company enjoyed strong cash-flow in 1996, closing the year with a net financial surplus of L497hn, after

spending L1,057bn on fixed assets and investing a further L604hn. The surplus was an improvement of L174hn on year-end 1995. The company will recommend a dividend of L50 a share, against L10 for 1995.

TIM's performance has been helped by particularly rapid growth of its GSM service, whose 1.9m subscribers at the end of the year accounted for almost one third of the company's total subscribers.

#### Generali opens war archives

Generali, the Italian insurance company, agreed at the weekend to open its archives housing insurance policies belonging to Jews murdered in the holocaust. But it rejected any legal liability to claimants. The decision follows pressure from Israeli parliamentarians, who recently threatened to try and block Generall's bid to purchase control of Migdal, a leading Israeli insurance company, unless it agreed to open its records.

27 families of policyholders murdered in the holocaust said that in spite of Generali's promise to consider a . compensation arrangement for her clients, "the statemen did not mention even one word about compensation," Avi Machlis, Jerusale

#### Peru completes Brady deal

Peru has completed its long-awaited Brady debt restructuring deal. Mr Jorge Camet, Peru's economy and finance minister, said the deal puts the country "in a position fully to access the international capital and redit markets."

The deal ends a 14-year-long hiatus in Peru's relations with some 180 commercial banking creditors. Peru suspended debt repayments in 1983, when natural disasters caused a dramatic slump in GDP. Payments to banks were definitively broken off during the Alan Garcia government of 1965-1990.

The Brady deal restructures some \$10.6bn of Feru's commercial banking debt. It involved the government issuing \$560m in discount bonds, \$1,62m in par bonds, \$1.7bu in front-loaded interest reduction bonds and \$2.4bu in past-due interest bonds. The government also

repurchased \$2.6hn of eligible debt under a debt buy-back Closing the Brady deal cost Peru an unfront payment of between \$1.3bn and \$1.4bn, of which \$800m was financed by a credit from the multilateral organisations. Annual servicing of the deal will mean an additional debt burden for Peru of some \$250m initially, rising above \$500m annually by year eight and \$650m by year 15.

Sally Bowen, Lime

#### Sidek plans restructuring

Grupo Sidek, the Mexico-based tourism and real estate of 2.43bn pesos in 1996 compared with a net loss of 2.4bn pesos in 1995, on revenues of 4.32bn pesos (\$539m), down 13 per cent from 4.95bn pesos in 1995.

Sidek, which was unable to reach an agreement with

of less than one year. AP-DJ, Guadalajaro

# China Travel to buy 20% stake

By James Kynge

Sima Darby, Malaysia's largest conglomerate, posted a 56 per cent increase in interim pre-tax profit, mainly dne to fins performances from Sime Bank. which it acquired last year, and brisk sales of cars from another subsidiary.

Group pre-tax profit rose from M\$502.20m to M\$784.50m (US\$316) and net profit from M\$284.7m to M\$400m in the half year to December 1996. Turnover rose 33 per cent from M\$4.78bn to M\$6.38bn. Group earnings per share were 17.2 cents, up from 13.5 cents.

The company expects to maintain earnings growth at that level in the second half of the financial year. The financial services divi-

sion posted a 10-fold increase in pre-tax profit from M\$21.5m to M\$227.2m, following the acquisition of United Malayan Banking, which has since been renamed Sime

Malaysia's banks are experiencing bumper earnings, mainly derived from healthy margins on their lending and borrowing in an economy which posted its ninth year of growth at above 8 per cent last year.

Sime's plantations, the company's traditional business, which has become steadily less important, experienced another contraction in profit from M\$90.7m to M\$74.3m. This was attributed to lower crude palm oil prices, partially offset by a bigger contribution from

Brisk sales of foreign cars boosted earnings at Tractors Malaysia, a Sime subsidiary. It posted pre-tax profit up 16 per cent to M\$82.3m. Sime UEP Properties, a property division, enjoyed a 23 per

# in Citybus

In Hong Kong

China Travel International Investment Hong Kong, the mainland-backed travel, tourism and investment group, is to pay HK\$487m (US\$63m) for an effective 20 per cent stake in Citybus Group, one of the territory's four franchised bus compa-

The two groups have further agreed to set up a joint venture company, CTS Citybus, which will promote and develop land passenger transport services across the Hong Kong border with China.

The venture will absorb the existing services run by Citybus and CTI on the route, and seek to build on these. Total investment in the joint venture company is

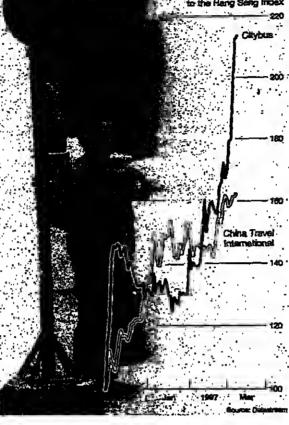
The purchase comes barely two months after CTI raised some HK\$2.5bn in a share placement. The placeBeijing parent. In comparison, the Citybus stake is

seen as less inspired. Under the deal, CTI will take a 10 per cent stake - by buying a new placement of shares - in Citybus for HK\$2.18 per share, representing a generous discount of 33.9 per cent to the closing price of HK\$3.30 on March 6, before the deal was unveiled. In aggregate, Citybus will receive some HE\$247.3m in

CTI will take a further 10 per cent indirectly, by paying to CNT Group, the Citybus parent company, HK\$240,45m for a 19.1 per cent stake in CNT'a holding vehicle for its 57.6 per cent interest in Citybus.

CNT Gronp'a activities span property to paint, and the group is controlled by Mr Tsui Tsing-tong, a benefactor of London's Victoria and Albert museum.

CTI says it will fund its purchases through internal resources. Mr Michael Ng, ment was snapped up, par-tially on the expectation that said the deal would yoke the CII would purchase hotel or experience of two manageinfrastructure assets from its ment teams in China's hus to exploit opportunities in future.



industry which he described as having vast opportunities, but with fierce competition. Citybus directors said the

deal would boost its ability

the mainland, while tha HK\$347.3m capital injection would allow it to expand existing routes and to under-

# JAL set to post Y20bn loss

By Michiyo Nakamoto

Japan Airlines. international and domestic carrier, said it would fall into loss this year, rather than break even as previously forecast, because of higher fuel prices and the

The company expects to make a recurring loss of Y20bn (\$164m), compared with a Y4bn profit last year, and a net loss of Y14bn. undergoing a restructuring.

The losses are in spite of It will sink back in to the red and a net loss of Y14bn.

E The company will not pay a losses between 1992 and 1994. It bas not recruited

Earlier, JAL had been forecasting revenues of Y1,177bn and a net profit of Yibn. However, a 26 per cent yearon year increase in fuel costs would add Y32.6bn to its fuel bill, the company said. Although investors had expected to see the adverse

effects of higher fuel prices, the revised forecast was worse than anticipated. The company has been sified competition amid the downturn in the Japanese Mr Donglas Hayashi,

industry analyst at BZW Securities in Tokyo, said that although JAL has already taken out significant costs, it still needs to work on reducing costs further. The airline said it would

step up some aspects of its restructuring programme by more or less freezing recruitment of full-time staff next April, although some cockpit crew may be hired.

since 1993. However, it is already committed to hiring 133 full-time ground and cockpit staff this spring. JAL said that business in

general has been buoyant. Its aircraft are flying with high load factors, with international traffic; up almost 7 per cent between April last year and this January, the company said. : European routes in partic-

ular bave been in strong demand, with traffic up 20 per cent year-on-year in to focus on improving

## cent rise in pre-tax profit to revenues up 6.5 per cent only two years after it emerged from a string of from Y1,115,9bn to Y1,188bn.

purchased from Ciments Français

a majority interest in

Dyckerhoff **E** 





Živnostenská banka, a.s. advised Dyckerhoff AG



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February 1947. This amongs experit appears is a magnet of record only.

## Singapore to ease SE listing requirements

By James Kynge

Singapore is to esse requirements for infrastructure companies wishing to list on the foreign board of its stock exchange, the latest step in efforts to broaden the city state's capital markets ahead of regional competi-

Mr Richard Ru, finance minister, said the minimum infrastructure project size for foreign companies seek-ing a listing is to be revised to S\$150m (US\$105m) from S\$300m. Companies can use the combined value of all their projects to satisfy the requirement.

The move is intended to breathe life into the foreign board which, since it was that of CM Telecom, a Hong tions to become south-east said.

Kong firm which runs a Asia's centre for capital marlucrative pager business in

CM Telecom is quoted in US dollars on the Singapore exchange, in line with local regulations.

Stock exchange officials see a niche for Singapore as a less volatile alternative to a Hong Kong listing for companies which do business in China's booming but uncertain economy.

They say that Singapore which also generally has higher price earnings ratios than in Hong Kong - offers a degree of insulation from political concerns in China that Hong Kong does not

The relaxation is also seen to be partly motivated by launched last year, has attempts to keep ahead of attracted only one listing. Malaysia, which has ambi- in Singapore, economists

kets. Malaysia last month announced that it will launch late this year a new exchange for local or foreign high-technology companies with little track record.

The Malaysian Exchange of Securities Dealings and Automated Quotations (Mesdaq) will require companies to have a minimum paid-up capital of M\$2m (US\$0.81m). Another criteria is that companies should invest within Malaysia at least 70 per cent of the funds they raise on

The launch of Mesdaq will mean that in theory, at least, foreign high-tech companies planning infrastructure expansion in Malaysia will have the choice of listing either in Kuala Lumpur or

company, said it was drawing up a new restructuring plan after announcing a net loss to majority shareholders

enough creditors to implement the debt restructuring plan it disclosed in April 1996, also said it would present to shareholders at a meeting on April 8 a report on imancial irregularities discovered in the second half of 1996. The 1996 loss included a provision for doubtful receivables of 1.22bn pesos in 1996 compared with 748m pesos in 1995.

The company's total debt at December 31 was 17.25bp. pesos, about 93 per cent of which is denominated in dollars. About 95 per cent of the total debt has a maturity

# GE widens European sales campaign

By Peter Marsh

has set ambitious growth ucts by 60 per cent over the targets for sales of a range of electrical and lighting prod-raise annual revenues from ucts in Europe, as part of its strategy for expanding its 216bn annual revenues from

the region. The world'a biggest company by market capitalisation is planning to double its European sales of electrical power control products, which include switches, circuit breakers and sockets for households and industry, over the next three to five

It also wants to expand appliances in Europe from Philips of the Netherlands buying and modernising European sales of light bulbs General Electric of the US and industrial lighting prod- joint ventures, to \$20n. same period. That would

> power control and lighting nies. In low-voltage power in Europe from about \$1.2bn last year to some \$2.5bn The targets are part of the plan of Mr Jack Welch, GE chairman, to expand non-US revenues from 42 per cent last year to 50 per cent by Germany and the Swiss-2000. Last year GE had Swedish ABB.

orldwide sales of \$780n. In light sources it is in GE has already announced third position, with its 15 per worldwide sales of \$79bn. that over the next three cent share of a 34bn a year years it wants to double its market roughly half that of trusting that its \$600m

about \$1bn a year, including The company is lagging

behind other European electrical engineering compacontrol products, GE takes fourth place in the European market, with an 8 per cent market share worth some \$8bn a year, behind Schneider of France, Siemens of

annual sales of domestic the two European leaders -

and Osram, the subsidiary of eight plants in Hungary will Siemens.

Mr Ricardo Artigas, chief executive of GE's European power control business, is planning to expand his division's sales by a mixture of new products and better service to customers, helped by acquisitions.

Mr Artigae is looking particularly at possible acquisitions in France and Britain countries where GE's market share in power control

devices is fairly low. In light sources, GE is investment since 1990 in

pay off over the next few years by providing a highly competitive production base for future expansion. The plants provide soms twothirds of GE'a European lighting output

Mr Mike Zafirovski, GE's chief executive for its European lighting division, said the Hungarian plants, which have 9,500 employees, were a "great strength". The company has four other Euro 1991, and one each in Italy and Turkey.

In Indones

Tellord.

FINANCIAL TIMES



#### IN BRIEF

## Restructuring costs hit Telstra

Profits at Telstra, the Australian telecommunications group which has been earmarked for partial privatisation by the federal government, fell 38.4 per cent to A\$742m (US\$586m) in the half-year to end-December after it took a A\$1.08bn one-off charge to cover redundancy and restructuring costs. Page 26

China Travel to buy 20% Citybus stake China Travel International Investment Hong Kong, the mainland-backed travel, tourism and investment group, is to pay HK\$487m (US\$63m) for an effective 20 per cent stake in Citybus Group, one of the territory'e four franchised bus

GE widens European sales campaign General Electric of the US has set ambitious growth targets for sales of a range of electrical and lighting products in Europe, as part of its strategy for expanding its \$16bn annual revenues from the region. Page 26

CSX expands cash offer CSX, one of the three large eastern US railroads, has expanded its cash offer for Conrail of \$115 a share to include all shares, bringing to an end the long-running battle for control of the US rail company. Page 26

JAL set to post Y20bn ioss Japan Airlines, the international and domestic carrier, said it would fall into loss this year. rather than break even as previously forecast, because of higher fuel prices and the weaker ven. The company expects to make a recurring loss of Y20bn (\$164m), compared with a Y4bn profit last year, and a net loss of Y14bn. Page 26

Dal-lohi Kangyo to fall into the red Dai-Ichi Kangyo Bank, one of Japan's largest commercial lenders, plans to write off Y550bn (\$454.5m) of bad loans this year, plunging it into the red for the first time. Page 26

Singapore to ease listing criteria Singapore is to ease requirements for infrastructure companies wishing to list on the foreign board of its stock exchange, the latest step in efforts to broaden the city state's capital markets ahead of regional competition. Page 26

Lonrho considers hotel break-up Lonrho, the UK conglomerate, is considering a break-up of its Princess chain of hotels and the sale of its African sugar interests as part of the forthcoming demerger. Page 27

SmithKline Beecham signs lolly deal SmithKline Beecham, the UK's second-larges drugs group, has signed a licensing deal with Treats, an ice lolly group, to allow it to use Ribena, Its blackcurrent-flavoured vitamin C-laced children's drink, for lollies. Page 27

BT wins first Gorman satellite order Less than 10 months before the opening of tele-Telecommunications has won its first big satellite communications order in Germany. Page 27

**UAT wins control of Pilot trust** Undervalued Assets Trust will today announce that it has won control of Pilot Investment Trust, the beleaguered small companies trust which has admitted that its recent performance has been "poor". Page 27

Global Investor

BOC

**BSkyB** 

Brake Bros

**CNT Group** 

China Travel

Chibank

Citybus

Chase Manhattan Bank

The real question regarding Wall Street's level is not whether a correction is overdue or the likelihood of an interest rate rise at the forth coming meeting of the Federal Reserve open market committee, but what follows the correction when and if it comes. Page 28

1 Japan Airlines

27 Libyd's of London

3 JP Morgan

24 Mediobance

27 Merck

26 Pilot

26 Microsoft

26 Norfolk Southern

2 Oxford Technology

26 Pace Micro Tech.

Companies in this issue

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Market Statistics

http://www.FT.com

† Undervalued Assets

1 Union Bank of Switz

terms on the supplier. One institution said: "Pace has always promised a lot. We would like to see it start to

# Formula One on track for flotation

Stock market listings could raise \$4bn and transform Grand Prix motor racing

By John Griffiths

The flotation of Formula One. which could raise \$4bn (£2.4bn) on the London and New York stock markets, will transform coverage of Grand Prix motor

Outline plans for the offering suggest a global TV service on a digitised, pay-per-view basis would geoerate projected annual revenues of about \$1bn within five years. A prospectus is being pre-

pared for possible issue in May, to be followed by listings by the end of July. A decision is expected from

Mr Bernie Ecclestone, founder of the Formula One Constructors' Association, and Salomon Brothers, his US investment bank advisers, on his return to London tomorrow from the Melbourne Grand Prix, which opened the season. It has been no secret in the Formula One world for months

almost aingle-handedly controls Formula One, has been considering a float. Aged 65, he has no obvious heir-apparent. The \$4bn valuation is based mainly on the prospects for digital TV and income stream

that Mr Ecclestone, who

from media coverage rights. More than 130 countries which receive transmissions of the 17 Grands Prix this year, for which an average audience of 450m is claimed by the constructors' association. However, other companies under Mr Ecclestone's control are also expected to be

included in the package. These

are Formula One Communica-

By Laurie Morse in Chicago

this week in Florida.

Ms Brooksley Born, the

bill would remove her agency's

powers to detect and prevent

copper markets last year.

Ms Born says her overseas

counterparts have been

shocked that the US is think-

ing of discarding its regulatory

model. The futures industry

meets for its annual confer-

ence in Boca Raton on

Treasury and the Federal

Reserve Bank, a committee led

hy senators Richard Lugar.

Tom Harkin and Patrick Leahy

CFTC's oversight to a few agri-

would allow US futures

exchanges to create unregu-

lated markets for "profes-

the world."

charged with creating media packages; International Sportsworld Communications, which negotiates TV and other broadcast media rights; and Formula One Promotion and Administration, which handles a substantial revenue stream from circuits wishing to stage Grands Prix and from promotional materials such as clothing and accessories sales, and tions and Administration, hospitality.

has transformed Formula One from a minority interest sport to a global media circus. As the constructors' association has persistently pointed out, the global TV audience for each of the season's 17 Grands Prix is only equalled by those of the Olympics and World Cup soccer - which take place only once every four years.

Chicago's big exchanges has slowed or stopped, while OTC

derivatives dealings continue

While the exchanges are con-

vinced that deregulation will

spur new growth, derivatives

lawyers are more cautious,

saying that a rigorous regulatory environment has been an

important marketing tool for

Many end-users, including

pension funds and insurance

companies that would qualify

as "professional" traders, actu-

ally like the regulatory safety

its London Metal Exchange

copper trading losses, the New

York Mercantile Exchange

boasted that such problems

Nevertheless, it strongly

After Sumitomo announced

offered on exchange. .

proposal.

to grow robustly.

TV technical operations, which will travel to each circuit starting in the 1998 season. Pay viewers, using their TV remote controls, will be able to hop between cameras to view He has already negotiated

packages with Canal Plus of France and the German Kirsch network to start exploiting the technology. Negotiations are

While the precise structure of a flotation is still being evaluated, Grand Prix teams and offered first bite in the form of placement offers. However, Mr Ecclestone also wants to see more than a token shareholding among some of Formula One's millions of private

under way with Sky Televi-

# Recing towards a flotation? The start of the Australian Grand Prix in Melbourne, which opened this year's Formula One season

## Pace seeks new chief for heated exchanges executive to replace co-founder

By Christopher Price

Mr David Hood, joint founder and chief executive of Pace Micro Technology, will stand aside when a replacement is found to head the digital satellite receiver group, which recently issued two profits warnings in quick succession. Pace ousted Mr Barry Rubery, Mr Hood's co-founder and joint chief executive, at the time of the second warning

two weeks ago. The events sent the compa ny's shares down 45 per cent on the day, leaving them at exactly half their value when Pace floated amid great publiclty and expectations last June. Angry institutional sharebolders who met Mr Peter Morgan, the Pace chairman last week, have pressed the company to appoint a single chief executive with public company

experience. "We would like to see some one with a strong track record who could give Pace the leadership it needs," said one fund

Other institutions criticised the management structure at Pace, which saw Mr Rubery taking responsibility for sales and marketing and Mr Hood verseeing manufacturing.

The two men, who founded Pace in 1982, made \$290m between them from the float and retain 10 per cent and 24 per cent shareholdings respec tively. Mr Rubery left Pace due to "irreconcilable differences of management style".

Mr Hood will remain on the Pace board, but Mr Rubery's hopes of being retained as a consultant seem unlikely to be fulfilled. "He does not figure in our plans for the future," said Mr Morgan.

Mr Morgan visited around 25 institutions last week accompanied by Panmure Gordon, the group's advisers, in an attempt to soothe City conerns. "Obviously, people are disappointed and frustrated but we have been trying to explain where the company goes from bere," be said.

There is a learning curve in the digital television market and we have failed in the past to communicate the vagaries of that market. We had allowed people to think expectations were more certain than they perhaps were."

Investors bave also expressed anxiety about the forthcoming BSkyB contract for UK digital satellite televislon set-top boxes. The contract, which could be worth up to \$1.63bn, is likely to be placed among three to four suppliers.

Even if Pace wins a slice of the business, some fund managers fear its problems could lead to BSkyB forcing harsh



CFTC's chairwoman, says the Brooksley Born: agency's powers may be weekened

fraud and market manipulasional" traders - which tion. "If this bill goes forward, account for about 85 per cent the US would have the least of the business on Chicago's regulated futures exchanges in big exchanges.

Washington lawyers say The CFTC has been leading Congress has come to the view an international initiative to that big market players in the free-wheeling derivatives busitighten supervision on foreign futures markets following the ness do not need government to protect them. Sumitomo debacle in the

Mr Alan Greenspan, chairman of the US Federal Reserve, said last month that many aspects of derivatives trading would be best left alone or to bank regulators and the Securities and Exchange Commission.

When Congress last looked With the support of the US at derivatives regulation five years ago, it allowed over-thecounter derivatives, because of their institutional nature, to be exempted from CFTC overhas proposed restricting the sight. It also widened the agency's powers to police listed futures exchanges, a reaction to federal fraud prosecutions cultural futures contracts and some retail participants. This of Chicago futures traders in Since then, expansion on

## Philippine shares set to be offered abroad

By Justin Marozzi in Manila

The Philippine Securities and Exchange Commission is set to approve a series of derivatives that would allow foreign investors to bny shares at derivatives did not contravene present limited to local buy-

Several financial institutions have submitted proposals to the SEC to create derivatives based on the movements of 'A' shares on the Philippine stock exchange. This would effectively allow them to. invest in a company without having to pay a premium for 'B' shares. Foreigners are restricted to trading B shares, which generally carry a premium, because they are more liquid, traded in greater vol-

ume and limited in numbers. JP Morgan is believed to bave created a derivative which would be linked to the A shares of San Miguel, the food and beverage

SLOUD. Over the past week, San Miguel B shares have fallen over A shares to 65 per cent, done indirectly."

closing at the end of last week at 90.5 pesos (\$8.45) on fears the SEC is going to approve the new financial instrument.

Mr Perfecto Yasay, chairman of the SEC, said the new the law because ownership remained in local hands and foreigners would not be able to vote the shares.

Only a handful of blue-chip companies, such as Ayala Land, the local real estate group, and Security Bank, retain two forms of share on the bourse. With the liberalisation of capital markets over the past two years some groups have converted their A and B shares into a single listing, but the B shares of those who have not converted dominate the top shares traded by volume. If the derivative receive SRC approval, it would have far-reaching effects on trading of these shares.

Some foreign bankers have already expressed disapproval happen," said one. "What canfrom a 100 per cent premium not be done directly cannot be

## Boca Raton prepares Bank of America courts DE Shaw

By Tracy Corrigan in

Bank of America, the third largest US commercial bank, is planning a link with New York-based derivatives specialist DE Shaw, as part of its effort to develop its capital markets business.

According to sources, the link will take the form of an venture, and Bank of America will not take an equity stake the company. Bank of declloed America

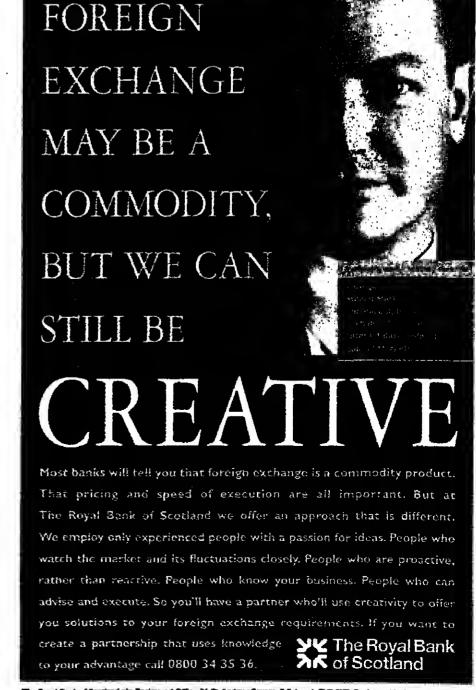
The bank is struggling to catch up with rivals such as Chase and Citicorp, which have already made substantial inroads into the investment banking area. Although it has a strong syndicated loans business, Bank of America is not a leading competitor in the tracould never have happen in its ditional preserves of invest-US copper futures market. ment banks, such as underwriting. Chase and Citicorp favours the deregulation have already built up large capital markets businesses,

including strong derivatives operations. DE Shaw, founded in 1988 as

a hedge fund, is a privatelyowned securities firm specialising in derivative instruments, such as options and equity warrants. According to the Securities Industry Association yearbook, its total equity is just over \$600m.

Bank of America, which has alliance, rather than a joint said it would consider making an acquisition to develop its product line, has been the subject of a number of bid rumours. Earlier this year, Paine Webber's share price soared after a report, subsequently denied, that the two companies had been in merger

discussions. Many analysts believe recent regulatory changes, allowing commercial banks to derive a greater proportion of earnings from their securities business coupled with last month's merger of Morgan Stanley and Dean Witter, have increased the pressure on commercial banks to forge alliances.



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# FINANCIAL TIMES

THIS WEEK

ING BANK At Home in Emeraing and Capital Markets ING BARINGS

Global Investor / Peter Martin

## A tale of two US economies

et's forget about the question of whether a correction in the US stock market is overdue. Let's even ignore the possibility of an interest rate rise at the meeting of the Federal Reserve open market com-

Instead, let's focus on the really interesting question of what follows the correction, if and when it comes. It is here, perbaps, that the diver-Street's current level is sharpest. To put it in caricature terms, the European view is that the US market is overvalued and must inevitably undergo a protracted adjustment to more realistic levels. The US view is that the market is frothy, and

but that its ebullience is whatever Mr Alan Greenspan, Fed chairman, may say - at bottom deeply rational. Any correction, therefore, would only be a brief interruption in the progress of the 15-year bull market.

This view is itself a short-term prophylactic against a correction, since it leads investors to buy on over-optimistic, of course, gence between the European the penalty would, ulti-and US views of Wall mately, be more painful But is it over-optimistic?

Not if you believe the chart shown alongside. It was prepared by the Bank Credit Analyst team in Montreal, a group of analysts which rarely succumb to faddish thinking. They broke the US economy into two sectors: high tech and the

put investment spending and net trade in information processing equipment and aircraft, some defence investment and consumer spending on computers. These account for about 51/2 per cent of real GDP, but have provided almost 40 per

cent of GDP growth over the

past two years.

The Bank Credit Analyst team writes: "The charts show that the high-tech components of the economy have been growing at a 25 per cent pace, while their prices have been falling at a 10 per cent rate ... On the other hand, the remainder of the economy has been expanding at a modest 11/2 per cent rate, which is extremely sluggish by the standards of the past decade." Not sur-

areas is low and stable. You might, if you took a

positive view of the US outlook, draw two conclusions. First, that there is little serious inflationary risk, since the fast-growing sector is showing falling prices, while elsewhere inflation is held down by weak demand. Second, that something significant is happening in that fast-growing sector - 8 surge of innovation and knowledge creation which justifies

long-term optimism. The comparison Martin Barnes of Bank Credit Analyst draws is with the quarter-century hull market which followed the second world war. That came to an end, he believes, because of the inexperience of central bankers in controlling the

rest. Into the former they prisingly, inflation in these new post-Bretton Woods monetary system. Now, two bankers are much better at in the US, skliful monetary management is comple mented by a surge of technological innovation and entre preneurial energy. Comparing the stock mar-

ket charts of the post-war hull market with the one that began in 1982, two things stand out. In the second period, the recent straight-line growth of the market is in marked contrast with the bumpier progress of the post-war years. That is the argument for a correction. But the overall expansion of market values in this rally is not out of line with the earlier period - and there is still considerable

time to go before the later bull market is as long-lasting as the earlier one. That is the argument for a healthy resumption of growth after any correction.

Today is never quite like yesterday. Not every US company benefiting from the enthusiasm for equities is a high-tech paragon. After any correction, some previous high-flyers mysteriously fail to join the overall recovery.

All these things are true. But the Bank Credit Analyst argument offers an insight into the world beyond the next correction. You do not have to believe it fully to find it helpful. Better, perhaps, to use it as a yardstick The deciding factor, therefor judging the chances of a fore, is not the Fed chairspeedy recovery from the next equity market setback, whenever it comes. If, despite any short-term inter-

ues to be able to combine healthy growth with falling prices, then the chances of a solid share-price recovery markedly increased.

man's state of mind, but the underlying performance of companies. It's the real economy, stupid.

#### COMPANY RESULTS DUE

### Steel losses expected to cut Krupp to DM360m

Krupp, the German steel and engineering group, is expec-ted this week to report pretax profits for 1996 of about DM360m (\$213m), down on the 1995 figure of DM644m because of steel losses, analysts said. Krupp is likely to have made profits on its stainless steel activities, where it is the world leader, hut to have lost money on its other steel products.

The group's other five divisions, ranging from automotive systems to plant engineering, are expected to be profitable, analysts said. The dividend is expected to remain unchanged at DM5.

Société Générale, one of France's largest banks, is expected to report improved results for 1996 on Wednesday, with analysts forecasting net profit of about FFr4.5hn (\$780m) against FFr3.82bn in 1995.

Société Générale said in January that net profits and earnings per share were "sharply higher" in 1996. This, analysts noted, was a more upbeat outlook than the one given by Mr Marc Vienot, chairman, at the time of first-half results in September, when the bank reported a net profit of FFr2.73bn. Vienot said then that the

second half was unlikely to match the performance of the previous period, when earnings were hoosted by non-recurring financial gains, etemming mostly from the sale of its share-

that Vienot underestimated the potential for his bank's financial market and international activities to ontweigh lingering domestic retail banking weakness.

"When Vienot made those remarks, he had only weak July and August trends to go by. But Société Générale had an exceptionally good fourth quarter, particularly in mar-ket activities and husiness outside France," said a bank-ing analyst at hrokers Dupont-Denant, who expects a net profit figure of

■ Générale de Banque, Belgium's biggest bank, is ant for several reasons. On expected to report tomorrow net profits of between BFr14.9bn (\$428m) and BFr16bn last year, compared with BFr13.7bn in 1995, according to analysts' fore-

holdings in other companies. Mr Youssef Uriagli of that, financial institutions But analysts now believe Dewaay, Servais said: "The have widely benefited from



financial sector is very buoyone hand, the difference between short-term and long-term interest rates boosted income, and the financial markets' good performances pull up income from commissions. On top of

to the ETSE Media Inden

capital gains, on bonds as well as on shares." Mr Herman Vanderloos of Vermeulen, Raemdonck expects loans to have increased significantly, and said that, as with other banks, provisions were being made to cover the introduction of the euro. The bank

had announced provisions in

its half yearly estimate.

Enso, the Finnish pulp and paper producer, is expected to report 1996 profit, after financial items, of between FM1.46hn (\$292m) and FM1.68hn, down from FM3.52bn a year earlier, according to analysts.

Earnings per share fore-casts range between FM4.08 and FM4.50, compared with

As with most other Scandinavian forestry companies the expected sharp fall in Enso's profits is because of slow economic growth in Europe, which has seriously weakened both prices and demand for most products. Analysts said customer destocking had further wors-

ened the situation. Enso's report is, however, expected to confirm that a turnround in the forestry business has already started

prices for fine paper leading the recovery.

est rate or stock-price pain,

national information group, is expected to announce a healthy, if unspectacular growth in pre-tax profits on Wadnesday when it announces its results for

Analyst forecasts are close, ranging between Henderson Crosthwaite's £800m (\$1.3hn) pre-tax to Merrill Lynch on £810m compared

Analysts are expecting few surprises from Zeneca's figures tomorrow; not least because the company's trading statement in January pointed them in the direction of pre-tax profits of just over film and earnings per share of about 72p. Both exclude exceptional charges. Of greater interest will be with improved demand and

especially Accolate, the

Compiled By AFX New

Orange, the UK mobile phone operator, tomorrow reports lts first full-year results since flotation last March. Analysts are expecting a pre-tax loss of about £230m, equivalent to losses of about 21.4p a share, as it continues to invest heavily in its UK network. It is per forming to expectations, and is likely to move into operat-

■ Schroders, the last publicly-quoted UK merchant. banking group with significant overseas operations, isexpected to report on Wednesday pre-tax profits of about £240m for 1996, np from £197.9m.

ing profit in 1998.

There are expected to be good contributions from

This potice is issued to complished with the requirements of the London Stock, Exchange. Application has been made to the London Stock Exchange for the Series A PERQS, which are based on the price of 25p Exchange for the Series A PERKEN, when are tumou on our prison eaps Ordinary States of Geand Metropolitan PLC ("Grand Metropolitan Ordinary Shares"), and which are issued by Morgan Stanley Equity (C.I.) Limited and gouranteed by Morgan Stanley Group inc. so be minimed to the Official List. It does not constitute un offer or invitation to any person to hase any shares. It is expected that Listing will become effective and that dealings in the Series A PERQS based on the price of Grand Metropolitan Ordinary Shares will commence on March 17, 1997.

## 6,000,000

SERIES A

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Company of the listing particulars are available for collection from the Company Amountements Office of the London Stock Exchange, London Stock Exchange, Tower, Old Brand Street, London ECIN HP during normal business hours for the two business days commencing with the Lor of the formal neutron and Loring around tuniness bount on March 10, 1997 and up to and including March 24, 1997 from:

Listing Agent:

Transfer and Redemption Agents Morgan Stuniey Securities Limited Morgan Gitaranty Trust Company
25 Cabot Square of New York
Canary Wharf 60 Victoria Embankment

Dated: March 10, 1997



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The First National Bank of Chicago

#### NOTICE OF EARLY REDEMPTION TO THE HOLDERS OF \$64,250,000 7% per cent CONVERTIBLE SUBORDINATED BONDS DUE 2007 (the "Boards") NOTICE IS HEREBY GIVEN to the holders of Boards to bound form (the "Se

NOTICE IS REARRY GIVEN to the holders of Boods in beamer form (the "Sontholders") that present to Conditions &(c) of the territor and conditions of the Boods and of the constanting Boods will be redeemed by the Issuer on 12 April 1997 (the "Redeempion Deer"). The Boods will be redeemed at their Principal Anomat contempting angelier with accound, interest for the period from 15 February 1997 to the Redeempion Date. Psymptot of principal and interest will be auster against presentation and surrender of the Boods and all measured inscret coupons apportuning theses at the specified office of any of the Psympton Date, is accordance with Condition 9 of the Boods. All scenatored coupons aball, whether agreedstand or otherwise, because rold and on payment whall be scale in respect thereof.

respect thereoz. Besselt have the right to convert shelt constanding Bonds and Ordinary shares of the launts as a conversion price of E2.78 as any time up to the close of Dusiness on the seventh day before the Redemption Date by following the procedure set out in the terms and conditions of the Bonds and is accordance with Condition 74th fundrest will accrue from 15 February 1997 up to and marketing the date of such convention.

Prestant to Condition 7(f) of the Bonds, Morgan Gonzany Trust Company of New York (the "Truster") gray in its absolute discretion and in accordance with the terms and conditions of the Bonds elect to convert all outstanding Bonds, within the period communities on the date see days prior to and ending at the close of business on the London business day prior to the Redestption Date, into Ordinary abures of the Inster and amange for their sale following which the sale proceeds together with accorde interest less rest due on conversion shall be paid by the Luxuer and base than 14 days after the

Any microstrate due on convertion shall be paid by the Lance got bate than 14 days after the relevant controlland dails in accordance with instructions given by the relevant controlland on the case of any election to convert by the Trailee, the Trustee.

Notice has been posted to the holders of boods bold in registered form and such bondholders are referred to the terms contained thorem.

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Dated 10 March 1997

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## INTERNATIONAL EQUITIES AND ANAPO

# Struggle to meet sell-off target ascenda

year's paltry Shk300m. Nine months into the joh and with nine months left to the government eticks to international offering, they ered from the 1994 crash, meet that year-end target, this programme," said Ms are likely to meet firm resis making it attractive for his conservative Likud coalition is still trying to put privatisation firmly on track. The coming weeks will show how wide the gap is between

intection and implementa- for real."

of ICL for \$231m. The government also said

tious economic programme the sale could bring in based on privatisation and hetween Shk2hn end deregulation. Above all, he Shk5.4bn. A prospectus for to its employees from last said he would raise Shk4bn Bank Leumi, the second year's net income. (\$1.2bn) this year from sell- largest bank, will be submitnies, compared with last to sell 10 per cent on the

local market in May. Blise Horowitz, Israel analyst at Lehman Brothers, the US investment bank. "Investors want reassurances that the privatisation process is

There have been some pos- inconsistent track record is itive signals. Last week, the cause for continuing scepti- tion, some analysts are pregovernment offered a 17 per cism. Only recently, for pared to give Mr Netanyahu cent stake, worth \$200m, in example, it was forced to the benefit of the doubt. Israel Chemicals to Mr Shaul postpone its much-touted Eisenberg who in 1995 privatisation of Israel Dis- vatise," said Mr. Daniel Car- and since the economic funbought e 24.9 per cent stake count Bank et least until asso from UBS Global April

it would issue tenders to sell thar domestic listing for chooses between a domestic the government."

When Mr Benjamin between 25 per cent and 69 Bezeq, the state-owned tele-or international issue Priva-Netanyahu, Israel's prime per cent of Bank Hapoalim, communications network tisation will open up the minister, was elected last the largest bank. Based on seem in jeopardy. The commarket, will raise money for May, he unveiled an ambi- current shareholder equity, pany is embroiled in a row modernising facilities and with the government over make companies accountthe extent of a bonus pay-out able to shareholders."

ing off state-owned compa- ted next month. The plan is Electric Corporation, the get. And the Tel Aviv Stock "It's very important that year, which could include an ning of the year, has recov-

> leges. Despite the inconsistency Despite the inconsistency "I think there is an appe-But the government's and lack of a clear governtitie out there," said Mr Keith

> "He says he wants to pri-And prospects for a fur- whether the government ing place this year. It's up to

Timing is crucial. Mr Netanyahn has only nine As for plans by the Israel months left to meet his tarstate-owned utility, to sell a Exchange, which has risen 20 per cent stake later this 25 per cent since the begintance from the unions and investors and issuers. But it the opposition labour party, is unclear if there is enough since IEC is a hastion of capital to soak up large listlabour support and privi- ings, such as the banks, or

ment approach to privatisa- Phillips, Israel analyst at Société Générale. "But as ever, so much depends on the peace process. If thepeace process is on track, damentals are right, we Research. "The issue is not should see large listings tak-

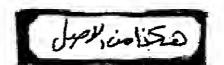
#### FT/S&P ACTUARIES WORLD INDICES

The FT/SEP Actuaries World indices are owned by PTSE international Limited, Goldman, Sactus & Co. and Standard & Poor's. The Indices are compiled by FTSE internation Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatiWest Securities Ltd. was a co-founder of the Indices.

REGIONAL MARKETS FIGURES IN parentheses	US		POUR		ARCH 7	1997						RCH 6 19	97	po	LLAR IN	
show number of lines	Dollar	strice	Sterin	d Yen	DM	Currenc	Local % your tom	Div.	Dollar	Pound		DM	Currency:	52 week!	نلسنس دج	Yes Spa
of stock	index	31/12/9	B Index	index	Index	c Index	31/12/99	Yield						High		(appn
Australia (76)		0.0	204,97	171,00	198.25	186.83	0.6	4.08	221.71	203.99	170.39	198.08	197.52	224.61		
Austria (24)	194,35	-28	170,33	142.10	184.74			1.77	185.01	170.14		165.29	165.22		174.70	
Belgium (26)	236.38	3.8	218,40	182.27	211.24		15.8	a 15		218.07			207.31	237,12		
Braza (28)	240.48	26.8	222.19	185.37	214,50	485.63	28.4	1.31	238.75			213.30	482.82			
Canada (114)	201.42	6,1	186.10	155.28	179.99	199,51	5.9	1.85	200.01	183,94		178.70	197.62			
Denmark (S2)		4.3	339,04	262,86	327.92		15.8	1.35	367.72			328.53	327.72			
Finland (28)	265.30	8.0	245.12	204.50	237.08	285.63	20.2	1.93	262.23					376.09	291.30	
France (91)	223.73	4.5	208,72	172.46	199.83	203.31		2.80	223.05		171.42		262.11	265.30	174.47	
Germany (59)	198.78	4.6	183.67				16.7	1.46	201.22			198.27	202.78	223.73		
Hong Kong (59)		-4.1	449.45		434.72		-4.0	3.18		450.21		179.78				
Indonesia (Z?)		6.0	223.53		216.20			1.50	241.68			437.38	486.71		. 402,63	
ireland (15)		1.4	306.17	257.10	298.06			3.11	334.90		185.75	216.92	355.08			
Italy (56)		4.9	80.91	67.50	78.28	111.38		1.92			257,39	299,21	302.61		255.16	
Japan (480)		-11.7	105.27	87.82	101.51	87.82	-7.3		85.05	79.14	66.14	76.88	109.53		70.61	
Malayala (107)	R41.05		592.30		572.87	812.71		0.89	113,44		67,18		87.18		109.16	
Medco (27)1						11820.59		1.04		591.29		574.43		. 960.95		
Netherland [19]			323.55		312.93	309.39		0.93	1350.19	1241.70				1445.68		
New Zealand (14)	28.52	-3.8	81.71	68.17	78.03	86.62		2.47	350.74		269,56	313.38 .	-309.78	354.05		
Norway (41)			261.81					4.28	87,93	80,87	67.58	78.58	66.58	95.60	76.94	
Philippines (22)					272,56	267.25		2.10	.304,48	250,01	234.01	272.03	286.78	321.23	235.31	239.
				155.81	180.64	285.16		0.85	201,87	185.65	155,15	180.35	264.80			,
Singapore (43)	415.00		386.76	322.67	374,07	276.56	22	1.00	418,00	384,49	321.32	373.53	275.77	449.15	371.28	438.
South Africa (44)			330.21		319,37	348.35		2.40	359,63	330.74	276.40	321.31	350.42		301.49	
Spain (35)	212.71		196.53	163.96	190.08	234.39		2.73	208,94	192.15	160.58	186.67	230.11		164.81	
Sweden (49)	439.78		408.33	335.99	393,00	500.91	17.5	2.07	437,45	402.30		-390.83	486.75	439.76	325.59	
Switzerland (35)					225.96	232.79	17.2	1.29	250.79	230.64	192.75	224.07	231.50	254.34	229.36	
Thalland (45)		~20.8	70.07	58.46	67,77	76.40	-19.8	4.28	73.98	68.03	56.86	66.09	74.57	197.79	73.98	-
United Kingdom (212)		. 0.5	262_20	218.75	253,60	262.20	8.9	3.73	283.81	261.00	218.12	253.56	261.00	284.47	224.39	
USA (654)	327.15	8.4	302,27	252,18	202_95	327.15	8.4	1.83	324,67	298.58	240.52	290.08	324.67	337.54	254.78	257:
Americas (823)	299.57	8.5	278.78	230.91	267.70	252.13	8.5	1.82	297,33	273.43	-				<del></del>	
Europe (725)	248.07	2.7	227.36		218.90	230.28		2.64	245.81	228,06		265.64	250.21		233,09	
Nordic (150)			350.61	262.68	339.31	373.08		1.94	377.90		188,92	219.62	229.65		201.65	
Pacific Bestn (873)	35.33		125.04	104.31	120.53	103.38		1.40		347.54	290.44	337.63	370.17	379,69	282.52	
Euro-Pacific (1598)1	181.47		167.67	139.88	162.17	151.26			134,98	124.19	103.74	120.59	102.91	177.01	131.50	
North America (168)	319.55		295.24	245.31	285.55	316.74		210	181.16	165.61	139.23	161.86	150.72	191.51	176.40	
Europe Ex. UK (513)			203.65	169.90	196.97	208.10		1.84	317.19	291.65	243,73	283.33	316.29	323.69	248,65	
Pacific Ex. Japan (983)			289.25	241.31	278.75	270.48		2.02	220.04	202.36		186.58	207,74	220,41	183.38	
World Ex. US (1811)1	185 26		171.26	142.88	165.64			2.74	313.72	288.51	241.11	280.28	271,22	320.85	266,97	286.
World Ex. UK (2253)	776 57					157.51		208	185.02	170.13	142,20	165.30	156.93	193.47	177.71	180.
World Ex. Japan (1985)	201 64	-	208.38		201,54	200.66		1.77	224.38	206,38	172.45	200,47	. 196,53	228.59	199,58	
	_	5.9	267,58	223.47	259,08	280,80	9.1	2.15 ·	288.58	205.39	221.79	257.82	279.34			
The World Index (2465) _2	230.51	2,8	212.98	177.68	205.99	208.24	6.2	1.96	229,46	211.02	176.35	205.00	205.10	253,38	202.92	207.0
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## **COMPANIES AND FINANCE: UK**

Conglomerate may also dispose of its African sugar interests ahead of demerger

# Lonrho considers hotel break-up

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Section 1

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Lonrho, the UK conglomerate, is considering a break-up of its Princess chain of hotels, and the sale of its African sugar interests as part of the forthcoming demerger.

The company wants to unlock the value in its hotel and sugar operations before concentrating on its core mining interests. At the weekend it was revealed that Lonrho was in discussions with more than one buyer for its 10 luxury resort-style

Prince Alwaleed bin Talal bin Abdulaziz al Saud, the wealthy Saudi investor who has a stake in Euro Disney, is still the preferred bidder for most of the chain. But at least three hotels - and possibly half the chain - may be sold to others.

Lonrho was also said to be considering selling or demerging its African sugar rho and Prince Alwaleed, ini- stake.

of £39m on sales of £130m (\$225m). Tate & Lyle, one of the world's largest sweetener companies, was named by analysts as the most likely bidder, although the company would not comment on whether discussions

Prince Alwaleed hopes to acquire several Princess hotels for Fairmont, the San Francisco-based hotel group in which he holds a 50 per cent stake.

were under way.

In the year to September 30, Princess hotels bolstered Lonrho's figures by contribiting profits of £21m on sales of £187m.

The chain - based in the US, Barbados, Mexico, Bermuda and the Bahamas has been on the market since last September, when Lorrho abandoned plans for a joint £700m flotation with its UK Metropole hotels. Negotiations between Lon-

operations, which last year tially for a £350m sale, contributed operating profits appear to have been bogged down over tax and legal issues in five jurisdictions, and the prince's desire to buy only come of the 10 properties.

It is believed Prince Alwaleed, e nephew of King Fahd, is averse to buying the two casino-based Bahamas hotels because of Islamic strictures against gambling

Lonrho is also thought to be in negotiations with a separate buyer for tha Palm Springs Marquis hotel in California which it manages under a franchise from Holiday Inn. It was planning to sell the hotsl et the time of the Princess Metropole flotation due to poor trading and its dependence on the local ecouomy rather than

A question mark also hangs over the two Barbados hotels, in which Mr Michael Pembertou, an Euglish developer, has a 51 per cent



Prince Alwaleed: preferred bidder for most of Princess chain

# Lolly licking goodness in a tube

By Maggie Urry

Treats, a UK ice lolly group. makers of Ribena, the blackcurrent-flavoured vitamin-C leced children's drink, to

use the brand for lollies. arrive in UK shops at the end of April, and will be produced throughout the

Mr David Durie, Treats' (\$3.9m) in 1995.

marketing manager, said the group has begun talking to retailers about the Ribena has signed a licensing deal lolly, which was "going with SmithKline Beecham, down a storm".

The launch is important for Treats, which floated last June at 174p only to suffer a halving of the share The Ribena lolly will price when poor summer weather dented 1996 profit figures. The company is expected to show a drop in profits to £1.4m from £2.4m

It is the first time a branded drink has been used in a frozen product, although examples of extensions of confectionery into ice cream abound.

Mr Durie said the product had the "genuine Ribena taste" and a good texture which consumers could not reproduce at home simply by freezing the drink.

The Ribena lolly comes in a tube rather than on a

The tube means that if a child is a slow eater, any defrosted lolly is collected rather than dribbled down the T-shirt and can be drunk at the end.

Treats makes Zep and Striker lollies, but Mr Durie "we needed e big hrand in the portfolio". Treats selected the 50 yearold Ribene brand and approached SmithKline Beecham after market research putting yet more sugar in suggested extending the children's mouths.

**NEWS DIGEST** 

or 196m, and has overseen

ny's fortunes since then.

brand into the ice lolly man ket should work. The Ribena lolly is expec-

target market - 6 to 14 year olds - as 'Treats' existing products.

If the bleckcurrent Ribens lolly sells well other Ribena flavours could be introduced - or even a low-sugar ver sion which might salve mothers' consciences about

## BT venture wins first German satellite order

Less than 10 months before ogy. the opening of telecommuni-Europe, British Telecommunications has won its first ecross Europe.
big satellite-communications - The value of the contract order in Germany.

subsidiary of Japan's Nissan motor group to set up e communications network.

By Jenny Luesby

own sites.

announce its largest ever

contract, a £70m (\$113m)

investment in Indonesia, as

shift into utility package

The industrial gases group

already supplies about 15 per

cent of its products from pro-

duction plants on customers'

It now plans to offer a

much wider range of on-site

who want to increase their

out sourcing. In Indonesia, BOC will pro-

vide electricity and steam, as

well as 1,000 toppes a day of

oxygen, to a new copper

venture between Mitsubishi

The copper smelter, being

built in East Java, is a joint gas supplies.

smelter and refinery.

aperture terminal) technol-

The aim is to extend the cations markets across network to a further 750 locations and eventually

is an initial DM3.5m (£1.27m) Viag Interkom, its joint a year, growing to DM10.5m venture with Viag, the Ger- after the first phase. It is e the satellite. There is a high been chosen by the German Interkom against Deutsche Telekom.

Under current regulations, countrywide voice and data it is able to offer voice and data services only within The idea is to link Nissan companies. It expects to be dealers through the satellite awarded a licence to offer system, so they will be able voice and data services over to communicate directly the public switched network with Nissan's headquarters : after market liberalisation

**BOC** in Indonesian deal

to provide on-site utility

and Freeport Indonesia.

take-or-pay contracts.

the first big prize from a ond half of next year, and

utilities for manufacturers - the US, as a separate subsid-

per cent.

BOC gases will today utilities under long-term ness produced on customers

It expects the utilities to

come on stream in the sec-

says they will lift group

sales in south-east Asia by 8

The group will build an air

separation plant, to supply

the oxygen, with an indone-

sian partner, Garema, and

run the power plant, to be built by Black and Veatch of

Meanwhile, the group is

holding talks with several

other companies over utility

package deals, which could

facilities, as well as power

generatioo and industrial

The diversification is part ate its electricity.

include weter treatment

using VSAT (very small Interkom, we will be able to provide high performance and innovative dealer communications. Program and data updates will in future be available to all dealers simultaneously within sec-

Communications with the UK will also take place via man industrial group, has significant win for Viag speed data connection between London and Nissan's Neuss headquarters, as well as the Nissan European computer centre in Sunderland

onds."

· VSAT is increasingly being nsed to provide two-way communications to businesses. It has the advantage of being both quicker to install and cheaper than conin Neuss, near Dusseldorf. on January 1 1998. install and cheaper than con-Some 400 sites will be A spokesman for Nissan ventional terrestrial net-linked in the first phase said: "With VSAT from Viag works."

of a wider thrust to increase

BOC, which is the world's

second largest producer of

industrial gases, has tradi-tionally lagged behind its

competitors in this area. Yet

on site \*production carries

within the industrial gases

So far, the push has seen

ou-site investments in the

spending by one-third this

Combined utility schemes

offer the promise of upgrad-

ing returns even further, the

In East Java, the company

will use waste steam from

the copper smelter to gener-

year, to about £600m.

BOC will supply all three the proportion of its busi-

own sites.

business

group said.

## came despite a fall in copper prices hitting profits. In 1996, General Cable saw a rise in operating profits to £31.6m. on sales up 18 per cent at £671.7m.

The subsidiary manufactures household wiring and telecoms cables. In January, General Cable formed a joint venture with SpecTran Corporation in the US, to manufacture and market fibre optic cable. General Cable was to invest about \$6.3m cash in the venture. Richard Adams

Wassall to float

Wassall, the industrial conglomerate, has filed documents with the Securities and Exchange Commission in New

York to prepare for the flotation of General Cable, its

US-based copper wire and cable products subsidiary. The

Analysts say the flotation could be worth between

\$600m and \$700m. Wassall acquired General Cable in 1994

Last year, General Cable accounted for the lion's share

of Wassall'e profits. In the first half of 1996, General Cable

recorded a 54 per cent rise in operating profits, to £17.9m.

Its sales were £345.5m in the six months to June 30.

against £497m for the group as a whole. The improvement

General Cable

company is expected to give further details today.

#### Technology VCT planned

Mr Lucius Cary, the founder of "business angel" investing in the UK, is planning to raise a new fund to invest in technology start-up companies. The Oxford Technology Venture Capital Trust will be managed in association with Larpent Newton, part of life assurance company, Friends Provident

Mr Lucius Cary founded and ran Venture Capital Report (VCR), the most successful "business angel" network in the UK. VCR aimed to solve the problem faced by small businesses trying to raise between £100,000 and £1m too much to borrow from a bank but too little to interest traditional venture capitalists - by bringing them to the attention of angels. The new fund will target the same types of businesses.

It will make investments of between £100,000 and £500,000, but will consider investments as low as £20,000. It will concentrate on technological start-up companies in the Oxfordshire area.

#### Prism names finance director

Mr Bob Holmes, finance director of Stena Line, the ferry the group unveil a string of company, will become finance director of Prism Rail, the Aim-listed train operator. US, which will lift capital

Mr Holmes, 44, joined Sea Containers shortly before it bought Sealink, the former British Rail ferry company. Sealink was sold to Stena to 1991. In October, he was one of three Stana executives to join the board of P&O Stana Line, the merged Channel ferry company, 60 per cent owned by P&O.

Prism, capitalised at £82m, operates four rail franchises. Prism has made two rights issues since listing on Aim last May - in December it raised £12m to fund the purchase of West Anglia Great Northern. Michael Lindemann

#### Brake Bros acquisition

Brake Bros, the supplier to the catering industry, has bought Dairyfresh Desserts, based in Torquay, Devon, for an undisclosed sum.

Dairyfresh had pre-tax profits of £235,000 on sales of \$4.5m in the year to November 80. Net assets at the year-end were film. Dairyfresh specialises in sponges and traditional puddings.

ARGENT GROUP, has sold two distribution units at Didcot and Bicester to the British Telecom Pension Scheme for £38m (\$62m) reflecting e yield of 7.3 per cent. ■ BULA RESOURCES has reached agreement with Russian Corporation International. Main benefits for Bula are that all litigation between the parties has been termi-

■ BUNZL, the paper and plastics group, has continued its US expansion with the acquisition of Kenco Sales, a disposables redistribution business based in Portland. Oregon. The business had sales of \$13m in 1996 and assets acquired are estimated at \$900,000.

■ GRAFTON has, through a subsidiary, entered a development agreement with RL Virgin Resorts for the construction of a hotel in Dublin for I£6.5m (\$10.8m).

## 1996 in brief

In 1996, SCA posted the next highest operating earnings in the Group's history.

Earnings for the Hygiene Products Business Area increased by 70% to SEK 2,323 M. In e structural transaction with Kimberly-Clark, SCA divested Molnlycke's unprofitable diaper operations in France, acquiring the Prudhoe tissue plant in the U.K.

The Packaging Business Area launched en expansion program in Eastern Europe and established e joint venture in Asie with the U.S. Weyerhaeuser company.

Graphic Paper's new LWC machine was started up at Ortviken. The fine paper business commenced a comprehensive program of rationalization and improvements which is expected to improve earnings by SEK 500 M annually.

PWA Dekor was divested in 1996.

SCA Raw Materials and Logistics, a new support business group was formed to take edvantage of opportunities for coordination in the Group's procurement of raw materials, energy and transportation services.

Key ratios		
	1996	1995
Net sales, SEK M	55,405	65,317
Earnings after financial net, SEK M	3,573	5,731
Earnings per share efter tax, SEK	10.71	17.55
Cash flow from operations, per share, SEK	21.30	25.02
Dividend, SEK	5.25*	4.75
Stretegic investments, incl. acquisitions, SEK M	2,684	9,547
Shareholders' equity, incl. minority interest, SEK M	26,237	25,517
Return on shareholders' equity, %	10	17
Debt/equity ratio, times	0.67	0.69
Number of employees, average	34,106	34,859
board proposal		

A complete report will be found in the 1996 SCA Annual Report, published around March 20. The Annual Report can be ordered from D. F. King (Europe) Ltd., Royex House, Aldermanbury Square London EC2V 7HR, Great Britain. Telephone +44-171 600 5005

> or from SCA, Corporate Communications Telephone +46-8 788 51 00, telefax +46-8 676 81 30.



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DIRECTOR

John C. Gates

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Patrick Ackerman Takafumi Inui Paul Browne Dwayne Jones David J. Carey Naoki Kurita Nancy Cassidy Pawel Pliszka Piotr Chmiclowski Brian Potasiewicz Yukiko Hirahara Takashi Tsunoda

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Waitak Wong

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Hong Kong

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11.653

11.98

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113.01

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4.54.1

#### BUSINESSES FOR SALE

%Chg (Prev: Wit)

YWk Avg. (USD m)

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Karl Loyaton 0171-873 4874

Bank of Ireland U.S. \$300,000,000 Undated Variable Rate No.

A.S.E. Merket Capitalisation - 07/03/97 (USO bn)

POs & Rights leaves (in USD m) Jun 1 97-Mar 7 97

Natice is hereby given that the Rate of Interest has been fixed at 6.5625% and that the interest populae on the relevant Interest Payment Date June 10, 1997 against Coupon No. 31 in respect of US\$100,000 naminal of the Nates will be US\$1,677.08. Moreth 10, 1997, Landon By: Cilibanik, N.A., (Corposate Agency & Trust), Agent Bank CTTBANK

## **Undervalued Assets gains** s campa control of Pilot trust on Friday, valuing Pilot's to bring Pilot into line with

will today announce that it has won control of Pilot investment Trust, the beleaguered small companies trust which has admitted that its recent performance

has been "poor". Mr Colin McLean, UAT's (\$78.4m) all-paper bid had won acceptances from 51.6 per cent of shareholders. UAT had bought Pilot warrants on Friday to extend its

Pilot was evident in the hours before UAT's bid Mr McLean declined to say which of the institutions had

voted in favour of UAT. director, said that the £48.1m from 28.8 per cent of Pilot's shareholders when it These included the Bank of England Pension Fund.

Undervalued Assets Trust 1p to et 127%p. The plan is will today announce that it Widespread trading in managers." Pilot's investments are closed et 3pm on Friday, but Asset Management, which

> UAT had letters of intent launched its bid in February.

UAT's offer will remain open "until further notice". boldings. open until future to Wr McLean said, in order to Mr McLean said, in order to the shareholders to shares, UAT closed at 162%p accept. "Then it is intended

shares at 126%p. Pilot rose UAT as quickly as possible. The plan is to change Pilot's

managed by Rntherford was proposing last week to restructure Pilot so that some shareholders could liquidate their assets. Rutherford euggested

investors either vote to turn Pilot into an open ended investment company with an investment policy similar to Pilot's or opt for shares or units in s new company which would dispose of the Shares for every 9 Pilot allow other shareholders to investments shareholders wanted to liquidate.

# Indian bull set to charge 4,500

India's finance minister, unveiled the country's 1997 -98 bodget at the end of last month, cheers broke out in Bombay dealing rooms.

The cheers have barely stopped since in reaction to a budget which has, in one bold step, turned around market sentiment on the subcontinent.

The market's most prominent indicator, the BSE-80 index, has surged 11 per cent to 3.876 points since the budget statement and suddenly a once pervasive investor gloom has been lifted.

Brokers say the budget took the market by surprise with aggressive tax and tariff cuts aimed at spurring economic growth to pay for higher social spending. The budget also contained

a host of market-friendly measures, such as ending double taxation of dividends, allowing share buy-backs and raising the ceiling on foreign institutional investment in Indian companies from 24 to 30 per cent.

"No-one expected the bud-get to be as dramatic," said Mr Vikash Saraf, head of research at SSKI Securities. remain sceptical, however, raising concerns about the

capacity of India's infra-

structure to cope with

growth, the inflationary

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332.27

92.73

151,52

160,67 79,48 277,02

205.78

World (449)

Argentina (22) Brazil (24) Chile (16) Colombia (13) Mardoo (27)

Greece (20) Poland (25) Portugal (18) South Africa (30) Turkey (27) Europe (134 ......

Anie China (27)

Indonesia (30) Korea (23)

Malaysia (24) Pakistan (13) Phillippines (18)

Peru (12) 1,204.95 Verrezuela (6) 91.43 Latin America (119) \_\_171,27

ther 1996 Jan S7 Feb Mer

increases will be as strong as forecast. There also remain donbts about the political will of the government to pursue difficult economic reforms.

Even among foreign investors, though, there has been a palpable mood shift amid expectations that the budget will sour a recovery in corporate earnings in 1997-98 and reduce uncertainty surrounding the United Front

"I think history will be kind to this budget," said Mr Mark Baughan, head of research at brokers W.L. Carr India. "It is a gamble but a worthy gamble and the more you examine the figures in the budget, the more they seem conservative.

+2.78 -1.65 +2.11 -1.01

-5.84 -1.03 -2.52 +1.08 -0.88 -11.92 -2.07

-0.85 -2.75 -2.22 -1.16 -3.74 -1.67

+27.32 +6.86 +10.70

+2.55

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ING BARING SECURITIES EMERGING MARKETS INDICES

+6.94 -3.62 +4.55 -0.95 +36.16 -5.12 +1.10

-6.61 -1.58 -9.92 +1.77

-1.29 -21,37 -2.84

-0.48 -4.55 -1.61 -3.24 -2.75 -6.16 44.78 -7.31

The question for foreign the so-called Fils. The net investors now is how much investment by Fils in Januunside is left in the market. ary and February was only \$176m, compared with a total The post-budget surge capped a remarkable turnof \$3.17bn for 1996.

around in the Indian share "If the allocations to the market in which the BSE-30 Indian market remain the Index has risen by 43 per same as in 1996, there will cent from a three-year low have be a substantial early in December. increase in inflows," says Mr The low was struck amid Sriram Srinivas, strategist at

mounting pessimism about Lloyds Securities. the outlook for the Indian For foreign investors, broeconomy, the stability of the kers say the Indian market government, slowing corpoalso still looks attractive with a sharp rebound in corrate earnings and the pace of economic reforms. porate earnings expected in Leading broking houses.

such as ING Barings, had Mr Baughan seys that put out research warning of while 1997-98 corporate an imminent economic crisis earnings growth in India is and the talk in the market expected to be one of the highest in Asian markets at was of how low the index could go. In the classic tradi-24 to 25 per cent, it is priced tion of the bull runs starting on a relatively low price earnings multiple. W.I. Carr estimates the projust as sentiment reaches its darkest hour, the share marspective price-earnings ratio Many foreign investors for India to be 11.1 in 1997 missed out on the rally, how--98, compared with 14.3 in ever, as they waited to the Philippines. 14.4 in Indonesia, 17 in Malaysia, 27 assess the budget Instead. local traders have driven up in Taiwan, 9 in Thailand and

11.6 in Hong Kong. Pre-budget, many brokers argued that India was cheap ued surge in the market to but deservedly so because of a range of negative factors. many of which persist. predict the bourse will rise a Among them is a lack of liquidity in most stocks, making It difficult for foreign investors to pick up large parcels of scrip.

Brokers say the "trust factor" also should not be underestimated. Many foreign brokers say there are very few companies even within the Top 100 Indian firms that they "trust".

Another factor is the

losses that many retail investors are still sitting on from the last bull-run, which ended in 1994. The pick-up in the market may tempt many of them to crystalise losses. In addition, a continuing supply of paper in a capitalhungry country such as India may restrain prolonged rallies. The government alone has a large backlog of partial-privatisation issues. Mr Anand Tandon, director at brokers InvestTrust, says that all such negative factors, however, are now being discounted. "Suddenly, everyone does not want to

## US investment banks 'in for the long haul'

SYNDICATED LOAMS B

US investment banks' efforts and show an understanding to gain a foothold in the of the banking market." European syndicated lending market are bearing fruit - and Goldman, the two most which has got some local active banks in this area, commercial bankers worried. have hired dozens of experi-In an already highly com-

petitive environment, where banks' ample liquidity has squeezed returns on commercial bank loans close to record lows over the last two years, the last thing European banks want is more rivals.

Their worst fears were confirmed in late January when US investment bank Merrill Lynch was asked to arrange and underwrite the £1.25bn financing for the £1.5bn bid by US utilities American Electric Power and the Public Service Company of Colorado for Yorkshire Electricity. Merrill was also acting as adviser to the

hidders. While some commercial bankers were piqued to see this lucrative mandate go to a relative newcomer - and there was even talk by some bankers of boycotting the deal - the broad reaction to the appointment has been one of realism.

"Of course, anyone who enters our market and is auccessful represents a threat - but sticking your head in the sand won't make them go away," said one UK hanker

"If the likes of Merrill Lynch and Goldman Sachs are dedicating serious resources to this sector, that's a good sign for the whole industry," says a UK banker. "They wouldn't invest in a dying market."

On an even more conciliatory note, me official at a large European commercial bank says: "We've invaded their territory - the securities businese - so why shouldn't they encroach on our turf? I only hope they'll act in a professional manner

Back

STEPLING

**NEW INTERNATIONAL BOND ISSUES** 

This is likely, since Merrill enced commercial bankers to mastermind their thrust into the lending business. Moreover, while they still lag behind in the European loans league tables, they have gained significant expe-rience in the US market in recent years and are rapidly catching up in Europe.

Another worry some commercial bankers and borrowers harbour is that investment banks, with their trading mentality and leaner balance sheets, won't make a long-term commitment to their deals.

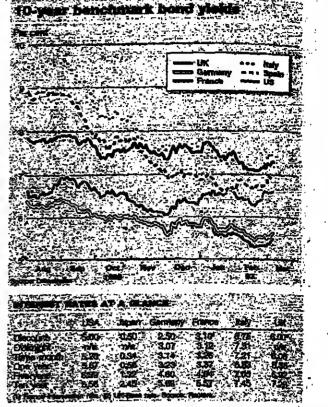
One of the fears is that they'll arrange the transaction and walk away with the fees without putting their own balance sheets on the line," says a UK banker.

However, increasingly they seem to be putting their money where their mouths "We have a policy of holding on to meaningful stakes, if nothing else for the sake of our client relationships." says Mr Kevin Cox, co-head of global leveraged finance at Merrill Lynch.

Indeed, many commercial banks are themselves coming round to the view that it may be useful to shed some loans tying up their balance sheets. For example, National Westminster Bank last autumn offloaded \$5bn of corporate loans by transforming them into securities sold to international

"Commercial and investment banks are becoming more like each other with respect to more active loan portfolio management." savs Mr Christopher Cooke of the European loan syndications and trading desk at Goldman Sachs. "It's not so much a extended loans, or AXELS,

SSC Wastury CSFE/SSC Wastury



clash of cultures as a process

of convergence." A new initiative to develop a secondary loan market in London under the auspices of the Loan Markets Association indicates further moves towards a more liquid and flexible market.

The development of a secondary loan market would favour US investment banks that have a long-standing expertise in loan trading and strong placement capabilities with specialist highyield debt funds. While such an investor base is still underdeveloped in Europe, dealers say demand for highyielding assets is developing as many better quality debt instruments pay ever-shrinking returns.

Goldman Sachs is taking advantage of this trend with a jumbo leveraged buy-out facility in four tranches, estimated to total in excess of FFr3bn, for the Elis Group, which it launched into syndication last Friday as lead arranger. Two tranches will be syndicated to banks, but the other two will be placed primarily with institutions as eo-called amortisation

with a longer average life and a degree of call protection favoured by insurers and asset managers This transaction high.

lights the sorts of deals US investment banks favour most structured financines for mergers and acquisitions. LBOs, MBOs, tax-driven deals or project financings.

"Rather than the plain vanilla, lower-margin losns business, we like to focus on more complex transactions where we can add value. says Merrill's Mr Cox.

The question remains whether the investment banks will stay with the market if it suffers a downturn. But the US investmen banks are stressing their commitment. We're in the loan syndications and trading market for the long term - this is a very importants strategic business for the says Goldman's Mi firm," Cooke.

Mr Cox echoes this sentiment. "We don't view thisbusiness ae opportunity driven, but as a component of our overall strategy of providing our clients with an integrated solution. This is #

## An important announcement to our stockholders:

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CREDIT LOCAL DE FRANCE FRF 300 000 000 CAC 40 INDEX-LINKED BONDS DUE 1997 ISIN CODE: XS0036690849 Notice is berety given to the Bondholders that, pursuant to the Terms and Conditions of the Bonds, Condition 4. "INTEREST". "R5" (term of the formula for calculation of the interest Amount payable per bond on April 1st, 1997) is equal to 0.3113 in accordance with the following formula: RS = CACS - CAC4 CAC4

where "CAC4" = 2.014 and "CAC5" on March 4, 1997 = 2.641 Now 0.3113 > Maximum authorized of 0.17, therefore R5 is equal to 0.17 Finally, interest payable against surrender of coupon nr 5 will be FRF 1 700.- per denomination of FRF 10 000 FRF 17 000.- per denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST S.A.-

#### U.S. \$125,000,000

GREAT LAKE FEDERAL XIVING

Colletersitzed Floating Rate Notes Series A due December 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from Month 10, 1997 to June 10, 1997 the Notes will carry an interest Reide of 5.5375% per around. The Interest payable on the relevant payable on the relevant payable on the U.S. \$1,517.36 per U.S. \$100,000 principal amount of Notes.

March 10, 1997

CHASE

## \*ABBEY NATIONAL

ket promptly surged.

Although there is much

speculation about e contin-

around 5.000, most brokers

further 10 to 15 per cent to

This rise is expected to be

spurred by demand from for-

eign institutional investors.

Year to date of Actual

+10.51

+21,08

+1.702

+9.35 +71.24 +29.16 +45.86 11.06 +197.73 -0.75 +27.77

+2.24 +39.22 +40.09 +19.26 +14.74 +32.84 +16.48

-0.83 +4.24 -1.74 -9.40 -12.29 +9.16 +20.34 -26.36 +3.24

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about 4,500 points.

+2.95

+8.96 +3.71 +5.12 +2.83 +5.02 +0.56 +5.41

-7.66 +10.73 -3.93 -1.66 +2.00 -10.95 -0.06

+0.84 -5.40 -8.67 -0.95 -11.58 -3.26 -6.52 -0.97

Abbey National Treasury Services plc

US\$1,000,000,000 Guaranteed Floating Rate Notes 1999

Notice is hereby given that the notes will bear interest at 5,5% per annum from 10 March 1997 to 9 June 1997. Interest payable on 9 June 1997 will amount to US\$13.90 per US\$1,000 note, US\$139.03 per US\$10,000 note and US\$1,390.28 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

**JPMorgan** 

CREDIT LYONNAIS

Floating rate notes 2003

The notes will bear interest at 5.46275% per annuan for the period 10 March 1997 to 10 September 1997, Interest payable on 10 September 1997 will amount to US\$139.76 per US\$5.000 note and US\$2,795.14

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Halifax Building Society

Notice is hereby given that

the notes will bear interest

6 March 1997 to 6 June 1997.

interest payable on 6 June 1997 will amount to \$157.53

\$1,575.34 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

per \$10,000 note and

**JPMorgan** 

at 6.25% per annum from

**JPMorgan** 

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March 1999

Ploating rate notes

US\$100,000,000

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- IRISH PERMANENT Irish Permanent Treasury plc

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000,000,0012 Guaranteed floating rate notes 1997

The notes will bear interest at 6.35% per armum for the interes period 6 March 1997 to 6 Jane 1997. Interest payable on 6 June 1997 will be £160.05 per £10,000 note and \$1,500.55 per

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Investment Bank Italian Lira 200 Billion

Notice to the Holders

per ITL 5,000,000 nominal ITL 1,810,851 Luxembourg, March 10, 1997

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(18% less 6 month Pts. Libor) (calculated according to the Prospectus) Interest Period Interest Amount per

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Regulator of Belgrich 100m Mar 2007 SARE 100.00
Regulator Controllent 100m Mar 1009 1.25 107.54 0.475
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Table Mar 2007 84 100.008

| STEPLAND | Note | Marge | Auscright | 250 | Mar | 2007 | 7.25 | 99.3087 | 7.425 | 47.7c/Jouizy | JSSC | Markets | 150 | Jap | 2007 | 7.25 | 99.3087 | 7.425 | 47.7c/Jouizy | JSSC | Markets | 150 | Jap | 2007 | 7.25 | 99.3087 | 7.425 | 47.7c/Jouizy | JSSC | Markets | 150 | Jap | 2007 | 7.25 | 99.3087 | 7.425 | 47.7c/Jouizy | JSSC | Markets | 150 | Markets | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 |

Pesetas 20,000,000,000 KINGDOM OF SWEDEN

Yield Curve Notes due 2000

Issued 25th August 1993

Ptas 100,000 Notes due on 25th August 1997

BANCO BILBAO VIZCAYA, S.A.

Madrid Agent



The Kingdom of

US\$1,000,000,000

Floating rate notes 1997 The notes will bear interest at 5.4375% per arrum from 10 March 1997 to 10 Jane 1997. Interest payable on 10 June 1997 will amount to US\$13.90 per US\$1,000, US\$132.96 per US\$10,000 and US\$1,382.58 per

US\$100,000 note. Agent: Morgan Guaranty Trust Company Halifax Building Society US\$500,000,000 Posting rate notes September 1999

12.15521% per annum

25th February 1997

-25th August 1997

Ptas 6,077.605

Notice is hereby given that the notes will bear interest at 5.5625% per annum from 10 March 1997 to 10 June 1997. Interest payable on 10 June 1997 will amount to US\$14.22 per US\$1,000 note, US\$142.15 per US\$10,000 note and US\$1,421.53 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan** 

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This directory lists for the first time in a single source over 1996 credit ratings assigned by 34 nating agencies — nine internations and 25 local — to emerging market fixed-income socurities in:

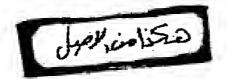
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#### MARKETS: This Week

Last week's testimony by: Federal Reserve chairman Mr Alan Greenspan may have left the financial markets confused about whether he really believes stocks are overvalued. But Mr Greenspan left no doubt he is ready to raise interest rates at any sign of trouble.

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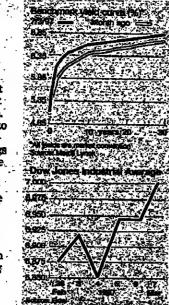
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INC. SE HAR

The stock market chose to view his latest comments for example, that if earnings estimates prove correct, the market does not look overvalued - as a slight climb-down from his stance the previous week.

With the Humphrey-Hawkins testimony out of the way, the markets will this week focus on a stream of economic data, including the Fed's Beige Book on Wednesday, followed by February retail sales. producer prices and capacity utilisation.

Analysts and traders will he looking for signs of sufficient inflationary pressure in the economy to prompt a pre-emptive strike by the Federal Reserve, with a growing number now convinced such a move will come sooner rather than later. Any sign of rising inflation could be met with a rise in interest rates at the next meeting of Fed officials. at the end of this month. However, the bond market



Friday'a February jobs data. Although non-farm payrolls rose 339,000, after a 247,000 rise in January, the market was relieved by the apparent lack of wage inflation, despite some signs of a strengthening economy.

Among this week's data producer prices, due on Friday, are likely to be unchanged, according to an MMS International survey. This could provide comfort on the inflationary outlook. but less than January's 0.3

#### The UK market chalked up another set of all-time highs last week, as a rebound on Wall Street combined with a generally benign domestic environment. The strength of institutional liquidity seems to have been supporting the market, with investors forced to "catch

LONDON By Poline Coddan

7.DO

up" and bny stocks as the FTSE 100 index surges past the end-year forecasts of even relatively optimistic analysts. Producer prices numbers

oday and industrial production and nanufacturing output figures on Wednesday will provide some clues as to the state of the economy and of inflationary pressures, but interest rates are still universally expected to stay on bold until after the general election, probably on May 1. Labour'a lead in the

far seem unconcerned. Furthermore, Mr John Shepperd, chief economist of Yamaichi international (Europe), says that "while most analysts still expect a post-election rise, a note of optimism is creeping in. The ultimate extent of the increase may be less than had been previously feared".

so far to alter most peoples'

The results season

opinion polls may be

widening, but investors so

views of the market. This week, as well as figures from corporate giants such as Reed International and Zeneca, there are a bost of

reports from mid-ranking

companies such as Harrisons

& Crosfield, IMI and Laporte.

The second second

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Benchmark yield curve (%)

- 20

The strength of sterling still seems to be the main factor knocking back corporate profits, although last week's report of a sales slowdown at MFI may indicate that the housing continues, having done little market is not as buoyant as many expected.

#### FRANKFURT By Richard Adams

Benchmark yield curve (%)\*

10 years 20

1997

flatten in the course of the

DM2bn of Bobl S121 paper

are to be issued, maturing in

The Bundesbank is due to

month. On Wednesday,

November 2001.

announce the federal

government's issuance

may lead the finance

calendar for the second

quarter. Current low yields

ministry towards issues of

longer maturity. The federal

funding programme for 1997

is already well advanced.

with DM46bn (about 25 per

cent) of debt already issued.

6.75

5.75

4.75

3.75

DAX Index

3,400 -

3,350

3,250

Month ago \_\_\_\_

Better domestic economic figures and the continuing pull of Wall Street helped the German stock market reach a succession of higher levels last week. The DAX index ended above 3,400. aided by buoyant retailing performances.

Last week's figures showed clearly that German construction collapsed at the start of the year, while manufacturing was boosted by the D-Mark's weakness and export demand.

The DAX may maintain its momentum, with today's retail sales volumes data for January likely to show a recovery from the weak performance of December. Today also sees the launch

of the Deutsche Börse's Neuer Markt (new market). aimed at companies in rapid growth sectors. The borse hopes 20 companies can be listed in the first year. The Neuer Markt's

structure, with domestic and foreign banks and investment houses combining market-making, research and advice, is designed to promote liquidity and stimulate investor interest

The current level of the D-Mark against the dollar has led analysts to assume rate cut remains off the Bundesbank's agenda, and to expect the vield curve to

## TOKYO By Bethan Hutton

Both stocks and bonds failed to break out of recent ranges last week, and observers say more of the same is likely this week.

on Friday from news that Nomura Securities was being investigated for illegal share transactions linked to sokaiya gangsters. This seems to indicate that there is still support when the Nikkei dips below 18,000.

upward movement is likely to be capped at a fairly low level for most of this month. as higher prices prompt selling from institutions the financial year-end. On Friday, the yield on the

key long-term Japanese government bond briefly equalled the all-time low of 2.335 per cent reached last December, but later rebounded to 2.355 per cent. This was after news that the usual rush of municipal issues in the March–May period will be smaller than during the same period last year. "There is very little fundamental impetus in the bond market," said Mr Cameron Umetsu, senior

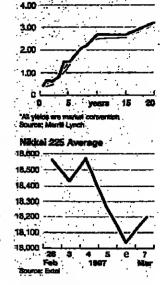
in Tokvo. Fourth-quarter GDP figures should be released this week, but they may be ignored by the bond market,

economist at UBS Securities

#### Benchmark yield curve (%)" 7/3/97 - Month ago = . Month ago == 4.00

Stocks recovered quickly

However, analysts say hoping to book profits before



which bas been attributing positive retail and production statistics to front-loading ahead of the April 1 increase in consumption tax. The market is only likely to react if strong figures continue into the new financial year.

'We do feel that the big risk for the JGB market on a six-month or nine-month view is the potential for a growth surprise - the numbers could be better than expected after the tax hike," Mr Umetsu said.

## Copper seen close to peak

College China College College

Copper, which continued its volatile run on the London Metal Exchange last week, is likely to be the focus of

took some comfort from last

attention again this week, Prices for three-month delivery fell to close afternoon "kerb" trading at \$2,390 a tonne on Friday - down \$13 from Thursday and \$55 from a nine-month high of \$2,445 earlier in the day.

Much of the debate over copper is dominated by the Chinese and their potential. chases, principally to replenish strategic stockpiles. Analysts say suggestions that the Chinese would re-

enter the market after the Limar New Year have been responsible in part for copper's recent rises.

Squires, analyst at Rudolf Wolff, said he believed the market had talked itself up in anticipation of further Chinese buying. It was now "likely to be caught long and wrong, as the Chinese wait for lower prices".

He said the Chinese "have been noted by their absence" since their new year. "This should, bowever, not be too surprising considering that in the months preceding, to make significant pur- they were reported to have been good buyers, and therefore have already to an extent rebuilt some of their depleted stocks.

"With prices considerably higher than when they last entered the market, they could again draw on their two," they added.

However, Mr Martin strategic stockpile, until prices once again settle down - as they have been the main factor behind the recent market strength."

"Therefore ... we feel that copper is currently teetering on the peak of its current rally and is likely to retrace back to test underlying support at \$2,300-\$2,313 a tonne and below," hs added. Analysts at Merrill Lynch

agreed that China would only be buyers of copper on price weakness. They estimate that copper will trade at between \$2,000 and \$2,500 a tonne over this month and next. "It is conceivable that China's need for copper will make \$2,204 a tonne seem 'cheap' in the next month or

European bourses start this week at record levels, and with the dollar a firm "buy" in the foreign exchanges, brokers remain relaxed about the immediate ont-

#### **PARIS**

look.

There appears to be no stopping Paris. After a week of non-stop push into new high ground, the leading CAC-40 index has successfully punched through the 2,700 level to extend its gains this year to almost 17 per cent. Solid earnings reports and another round of speculation over takeovers and corporate restructurings kept sentiment upbeat, but for the

shares came from the strength of the dollar. Hopes for monetary tight-

most part the main drive to

have been supplying strong upward momentum for the US currency, and a number of brokers last week upgraded their dollar estimates.

OTHER MARKETS Compiled by delirey Brown

UBS, for example, lifted its peak rats forecast against the D-Mark to DM1.80 and for the ven to Y132.

Over the last week a number of bourse ratios were stretched ever tighter. The 1996 earnings ratio for French shares is now the highest in Europe, at nearly 28. This compares with less than 20 for Dutch equities and barely 17 for the London stock market, and for all the upward potency of the market in recent sessions there remain worries about short-term bouts of profittaking.

Société Générale and cement leader Lafarge bead ening by the Federal Reserve this week's results list. Ren-

ault looks likely to remain a speculative play, given the political storm thrown up at home and outside France - by the motor giant's plans

to close a plant in Belgium. So does Bancaire, where speculation about new ownership for the financial group, 42 per cent owned by Parihas, remained deeply entrenched in spite of a sharp setback for the shares

on Friday. SocGen and Lafarge prodnce annual results on Wednesday. Elf Aquitaine holds an analysts meeting on the same day.

#### **AMSTERDAM**

has been fully reflected in Amsterdam in recent sessions, in part as a result of good demand for the Dutch international stocks.

This week the publishing houses move back into the spotlight. The recent speculative flurry linking Elsevier the colony. with Wolters Kluwer and Reuters was described as "sheer nonsense" by most analysts. The sector now gets a chance to display its fundamental paces. Elsevier

Friday. Brewing trends will also get an airing. Heineken puts out results on Friday and its smaller rival Grolsch, which owns Rnddles in the UK.

weighs in two days earlier.

reports annual results on

Wednesday, and Kluwer on

**HONG KONG** The strength of the dollar The US will continue to set the tone for Hong Kong with the market getting to grips today with the latest US employment data (released

overnight on Friday).

The Hong Kong dollar is pegged to the US currency, so US interest rate influences are closely watched in

The market closed on Friday on a weaker note, with the benchmark Hang Seng Index easing 79.01 to 13,337.35, although turnover remained buoyant.

Property stocks have been burt in the recent sell-off. Recent comments by two leading property tycoons that residential prices were too high did not help.

But there has been no stopping investors' appetits for "red chips", or China

The latest entrant to the red chips sector surged to a premium of more than 100 per cent on Friday. Shum Yip Investments, which floated at HK\$1.85, closed at HK\$4.50.

# 1-off targe Dollar's ascendancy to be tested by data

analyst at Standard Charfor the meeting, should offer sales figures for January. tered Bank in London, said clues. the market was becoming

FT GUIDE TO WORLD CURRENCIES

rency struggled to make mittee meeting on March 25.

However, the week should More reports of strong US starting to rise from the eco-economic data should sup-

although they failed to buoy and yen. Mr Chris Tinker. Beige Book, its briefing book expects strong German retail

The table below gives the latest evellable rates of exchange (rounded) against four key currencies on Friday, March 7, 1987. In some cases the rate is nominal. Market rates are the everage of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

In Japan on Friday, fourth-

Traders will try to decide port the currency this week, Some of the economic fig. Mr Robert Rubin, US treaths week whether the dol-pointing to a possible interlar's 1997 surge is near its est rate rise after the Federal week, including orders, buoy the yen against the dolerary retail sales on end. Late last week the cur Reserve's Open Market Courshowed signs of life, lar if he expands on his Thursday and industrial outheadway against the D-Mark On Wednesday the Fed's the D-Mark Now the market Japan's growing trade sur- producer price report shows plus - the main reason for

quarter GDF is expected to 1995. more "equivocal" on the diso produce further signs that Japan and Germany are More reports of strong US starting to rise from the ecofirst rise in three quarters. ures and start buying yen.

warnings last week over put on Friday. If Friday's signs of the inflationary which is the yen's steady fall pressures Fed chairman Mr against the dollar since April Alan Greenspan has been warning about, the betting

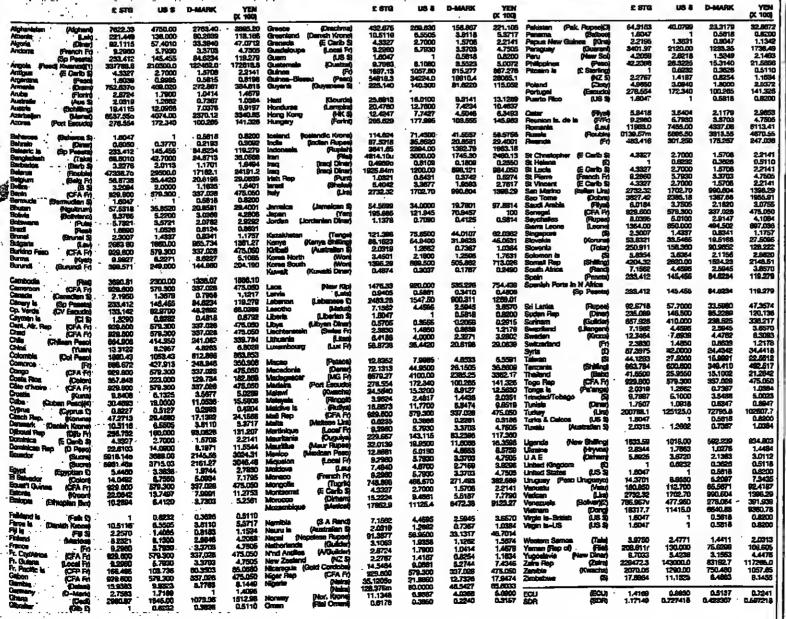
budget.

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**CROSS BORDER M&A DEALS** SECTOR VALUE COMMENT TARGET

PIDDEMINAESION	IANGEI	SECTOR	VALUE	COMMENI
Western Resources (US)	ADT (Bermuda)	Security	\$3.5bn	Cash element increased
Interim Services (US)	Michael Page (UK)	Business services	\$560m	Sector consolidating
Castle Tower (US)	BBC Transmission (UK)	TV trænsmission	\$397m	Privatisation continues
Dickson Concepts (HIK)	Barney's (US)	Reteiling	\$240m	Rejected by creditors
Hicks, Muse, Tate & Furst (US)	Forward Group (UK)	Computer components	\$209m	Buying Europe platform
GGT (UK)	8DDP (France)	Advertising	\$155m	Associated cash raising
Sage (UK)	KHK Software (Germany)	Computer services	\$65m	Buying German dominance
IMI (UK)	Wilshire Corp (US)	Drinks dispensing	\$39m	Private buy



present of the executory posteries and instruction are required in the product of THE NATIONAL For Name to Undergo or 100.28 Property of 100.28 Property of 11.57 11.15.57 Postory Ans to 1987 or 1887 Pool 1987 Pool 198 **GRID COMPANY plc** Puri miles | Puri 12 lease printed print 1/2 Pear period sending order of sending on the period of sending of the period of the Reporting Of The Transmissio

provides The National Grid Company pic ("NGC") with incentives to menage certain elemente of the costs that arise as a result of the difference between actual generation despatched on any particular day and the idealised day ahead forecast generation schedule. These edditional costs fall within what is known as "Uplit". NGC also has incentives to menage energy leases known as "Upilit". NGC also has incentives to manage energy losses incurred on the high voltage transmission natwork within England and Wales. The Tranemission Services Scheme was agreed between NGC and members of the Electricity Pool and runs for twelve months from 1st April 1995 until 31st March 1997 inclusive.

The strat level of Upility during March 1997 includive.

The lotal level of Uplift during January 1997 was £73,887,267.

The level of Uplift in respect of which NGC was Incentivised, during January 1997 was £36,850,247.

The total payment to NGC, from Electricity Pool Suppliers, as a result of the Transmission Services Scheme operating in January 1997 was £63,827). was (28,827). The Transmission Services Schem The Transmission Services Scheme includes Incentives to contro Transmission Losses. The payment to NGC for the management of Transmission Losses in January 1997 was \$55,424, Payments under the Transmission Services Scheme are mede and determined in accordance with the Sectricity Pooling and Settlement Agreement. Pooling and Settlement Agreement in England and Wales. The calcutation of the payments is highly complex process, which may be subject to revision or correction, and therefore no relience should be placed upon these figures as an indicator of the performance of The National Grid Company pic, or for any other purpose whatsoever. The any other purpose whetsoever. The figures reported above are rounded to the nearest pound; Further information may be estained by contacting Energy Settlements and information Services Ltd, Telephone Information services Ltm., receptione 0115 945 6739. Published by Energy Settlements and Information Services Limited a wholly owned subsidiary of The National Grid Company pic.

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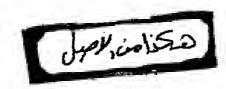
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(Sh) 12 (AS) 7 -0.0182 306 - 332 -0.0587 200 - 294 -0.2883 737 - 898 -0.9283 962 - 121 -0.318 568 - 804 -0.0218 751 - 782 -0.1918 905 - 890 -0.1918 905 - 890 -0.1918 905 - 890 -0.0244 162 - 205 -0.0244 162 - 205 -0.0244 564 - 893 -0.2182 834 - 751 -0.2182 834 - 751 -0.2185 989 - 031 week ago SDR Lindoad Ds week ago SDR Lindoad Ds week ago SUBOR Interteank fixing retor reference banks at 11am each Alfasubeith, Barclays and Nation Mid rotes are shown for the dome (AS) (HCS) (HCS) (SNY) (AS) (NCS) (Pesc) (Pesc) (NCS) (Pesc) (NCS) (Pesc) (NCS) (Pesc) 2.0318 2.0520 2.0505 12.5127 12.4121 57.9100 57.4680 5.4338 5.3958 195.980 194.50 3.9968 3.9784 2.2965 2.2717 42.5000 42.1808 6.0584 8.0116 2.3136 2.2978 7.2057 7.1512 1404.64 1301.18 44.4400 44.0718 41.5430 100 only thin last these di 2.0520 -0.7 0.0 -7.2 1.2662 7.7427 35.8520 3.3677 121.945 2.4817 1.4187 26.3225 3.7505 1.4387 4.4595 868.500 27.5000 25.9650 12,4247 57,5318 5,4042 195,685 3,9824 2,2767 42,2398 6,0184 2,3007 7,1562 1395,29 44,1293 41,6500 7.7431 38.527 5.3 120.385 -1.4 2.4898 -1.9 1.4253 -0.1 3.7512 1.8 1.4269 -11.0 4.5752 0.0 27.5003 -4.2 26.2125 121.41 2.4846 1.421 5.1 -1.3 -1.9 -0.1 1.9 -10.4 0.0 -4.0 194.715 5.9 124.7 2.2796 -1.5 2.2847 -1.2 EURO CURRENCY INTEREST RATES 3.7508 1.4315 4.5002 27.5001 28.045 Belgian Franc Danish Krone German Mark Dutch Gualder French Franc Portuguese Esc. 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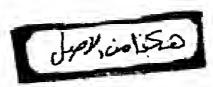
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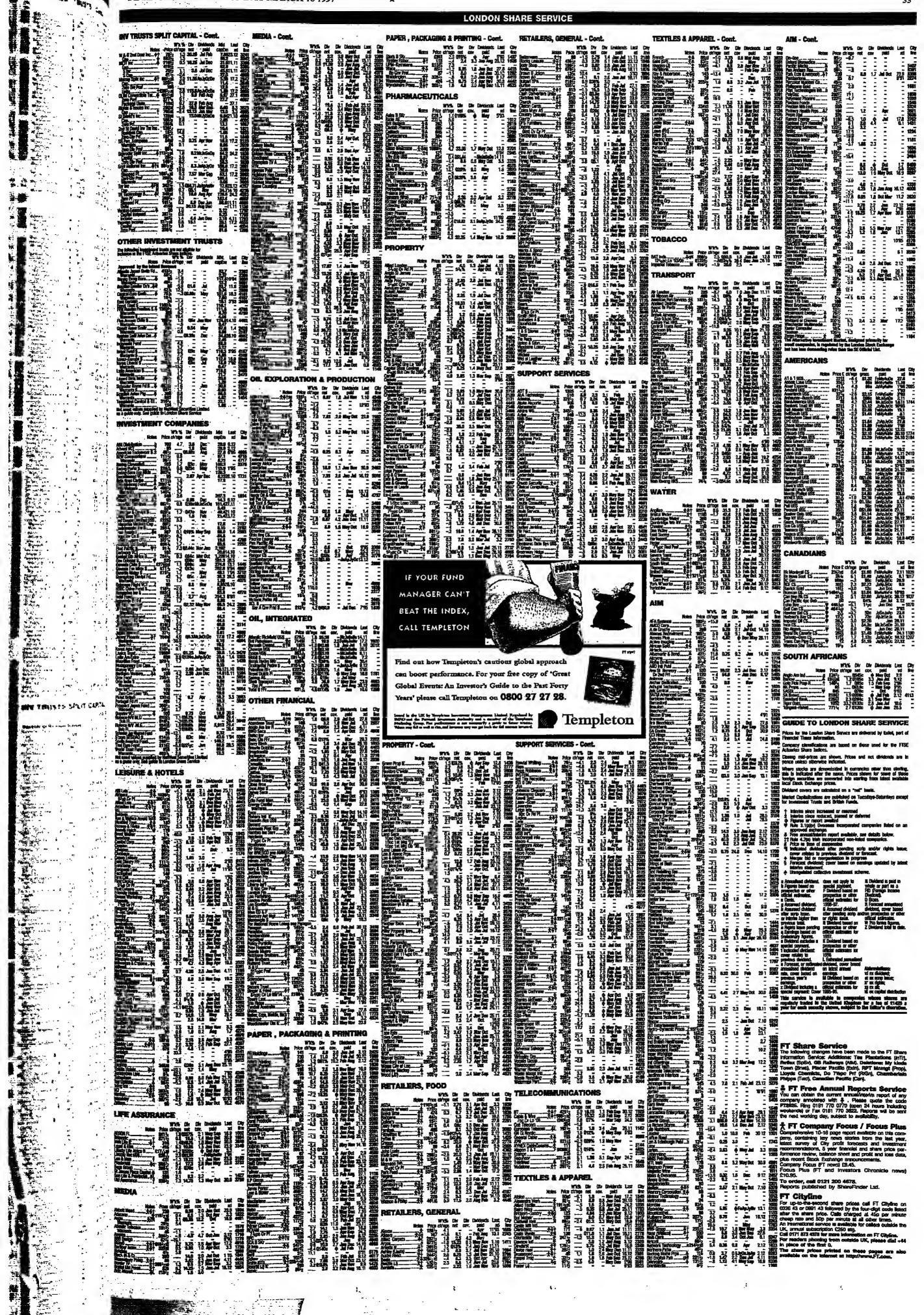
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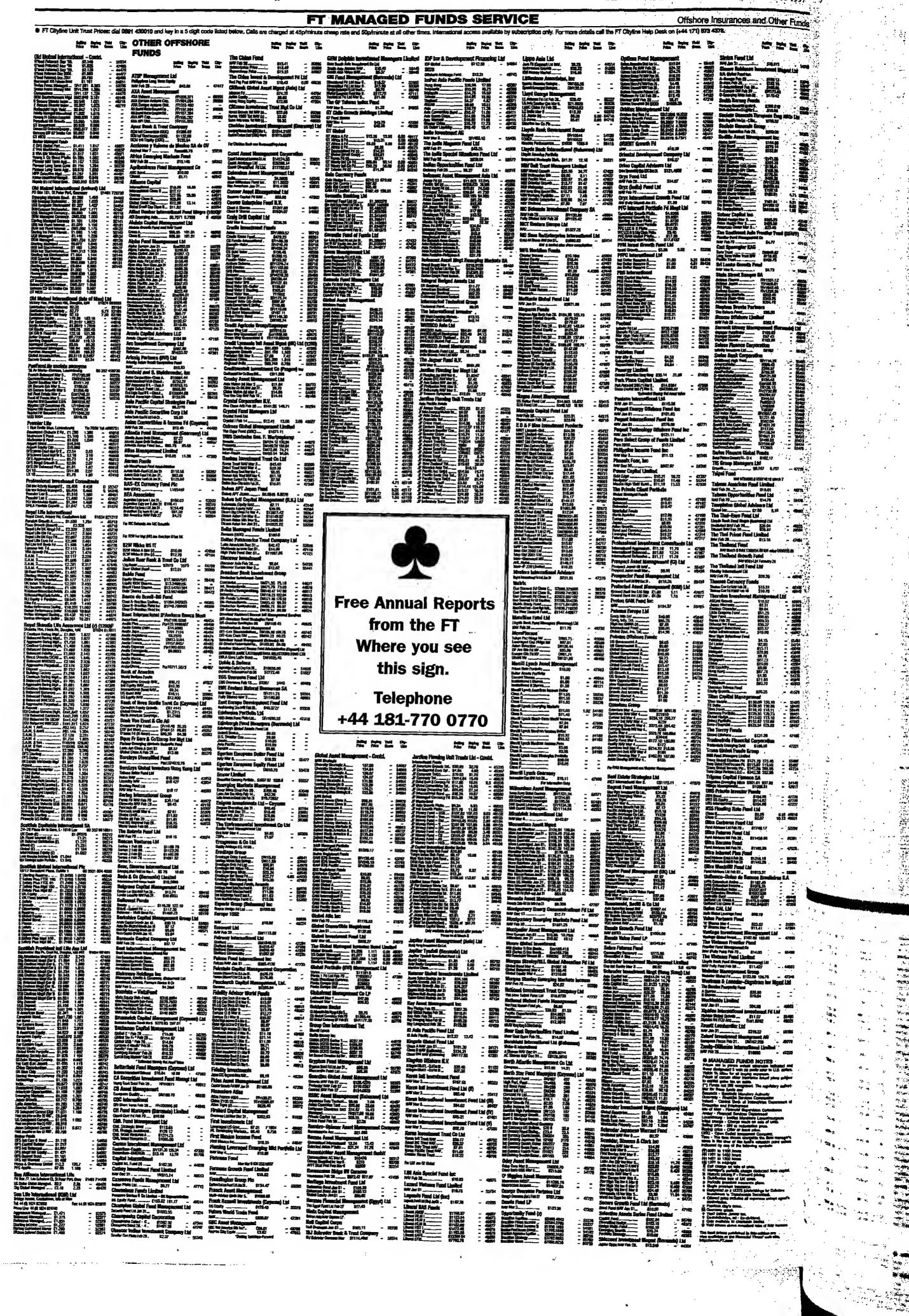
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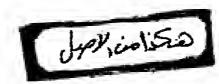
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## NEW YORK STOCK EXCHANGE PRICES

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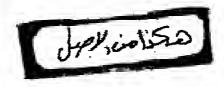
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WORLD STOCK MARKETS

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#### **MONDAY**

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#### **UN meets on human rights**

The United Nations Commission on Human Rights, the main UN human rights body, established 50 years ago, begins its annual six-week session in Geneva The 53 member commission will examine human rights abuses around the world with apecial reports on, among others. Nigeria, Iraq, Iran, Cuba, Burundi, Rwanda, Zaire and the former Yugoslavia. However, Amnesty International and other human rights groups say the commission, which itself includes representatives of countries accused of abuses, is losing credibility by failing to speak out impartially.

#### Netanyahu in Russia



Benjamin Netanyahu, the prime minister of Israel, makes his first official visit to Russia determined to boost trade and economic ties between both

countries (to Mar 12). Although the highlight will be a meeting with President Boris Yeltsin, Mr Netanyahu is very keen to meet the Jewish community and strengthen its links with the 750,000 Russians who have emigrated to Israel since 1990. Israel is anxious to encourage more immigration in order to expand its

#### Zedillo visits Japan

Increasing co-operation in areas such as disaster prevention and the protection of the environment will be among the main objectives of a visit hy Ernesto Zedillo, the Mexican president to Japan (to Mar 14). Although Mr Zedillo's visit will deal primarily with trade and investment, both Mexico City and Tokyo suffer from formidable pollution and the constant threat of earthquakes. Mr Zedillo will also meet representatives of Japan's leading banks - Mexico's state oil, electricity and infrastructure agencies are hungry for funding.

#### **US-Australian** thrust

One of the largest US-Australian military exercises since the second world war begins around the Queensland coast. The "Tandem Thrust '97" training operations, at the Sboalwater Bay military facilities near Rockhampton and in the Coral Sea, will involve 21.500 US troops and 5.500 Australians. Although exercises in Queensland are beld by the US defence forces biannually, the Australians will be participating for the first time. The exercises, which will last 12 days, follow an agreement last year in which the countries also agreed to set up a new satellite early warning system relay station near Alice Springs.



Military manoeuvres: American and Australian troops join forces for 12 days of exercises around the coast of Queensland

#### FT Survey

Investing in India.

## **Public holidays**

Australia, Belize, British Virgin Islands, Cyprus, Gibraltar, Greece, Russia, Ukraine.

#### TUESDAY

MEPs tackle smuggling

Members of the European Parliament gather in Strasbourg for the monthly full session, which will he dominated by a report that found the EU was losing hillions of dollars a year in customs duties because of cigarette smuggling. MEPs are likely to vote for closer customs co-ordination. They will also debate cloning following the cloning of a sheep in Scotland, and French carmaker Renault's controversial decision to close a Belgian factory with the loss of 3,100 jobs.

#### Chirac in Brazil

Jacques Chirac, the French president, arrives in Brazil on the first leg of a tour of Latin America, accompanied by ministers, members of parliament, businessmen and former footballer Michel Platini - a member of the organising committee of the World Cup, to be held in France next year, Mr Chirac will meet President Fernando Henrique Cardoso in Brasilia before flying to Rio de Janeiro to open an exhibition of paintings by Claude Monet and to Sao Paulo. He then visits Brazil's partners in the Mercosur customs union - Uruguay, Bolivia (associate member). Paraguay and Argentina (to Mar 18).

#### Horse racing

Irish-trained horses could match, or exceed, last year's record seven winners at the three-day Cheltenham festival, starting today, which stages races over fences or hurdles. The leading Irish challenger, Imperial Call, is due to defend the steeplechasing Gold Cup on Thursday. Cheltenham is enormously popular with enthusiasts and corporate sponsors. But anti-cruelty groups will voice their disgust if (as often happens) horses are killed or maimed.

FT Survey Finland.

#### WEDNESDAY

S Africa attacks deficit Trevor Manuel, the first South African

finance minister from the ruling African National Congress, delivers his first budget speech. Few surprises are expected. After a year of volatility in the capital markets, Mr Manuel has kept few secrets in his efforts to win the confidence of world markets and stabilise the rand. The government is committed to reducing the deficit before borrowing to 4 per cent of gross domestic product in 1997, which leaves little room for manoeuvre.

#### Sharif increases his grip

The Pakistan Moslem League (PML) of Nawaz Sharif, the prime minister, is expected to win most of the 46 seats up for election in the senate, which has 87 seats in total. The electoral college for the senate consists of the provincial legislatures in Pakistan's four

provinces and the lower house of parliament in Islamahad. The PML has

Tsang delivers HK budget Donald Tsang, Hong Kong's financial secretary, delivers a hudget which will span the territory's return to Chinese sovereignty in July. With the priority of Britain, China, and the Hong Kong government to signal continuity in economic policy, few surprises are expected. Mr Tsang has predicted robust GDP growth of 5.5 per cent this year, while officials have announced a windfall from land sales. With a large budget surplus and limited spending

could be trimmed.

#### THURSDAY 13



the first anniversary of the massacre of

People in the

Scottish town

commemorate

of Dunblane

an absolute majority in both.

increases likely, there is some speculation the already-low tax rates

#### Skilng

World cup finals at Vail, Colorado, US (to Mar 16).

**Public holidays** Liberia, Mauritius.

## Candles at Dunblane



16 children and their teacher by placing lighted

candles in their windows. The children

and their teacher, Gwen Mayor, were shot dead in a primary school gym by Thomas Hamilton, a sacked scout leader, who then killed

Hanover computer fair CeBIT, the world's biggest computer exhibition, opens in Hanover, providing a platform for more than 6.800 exhibitors - 300 more than last year. The future of the Internet will be an important theme. However, the exhibition will also be a showcase for the new telecommunications companies which are limbering up in preparation for the liberalisation of the German market next year. About 40 per cent of the exhibitors are from overseas, the largest contingents being from the US, Taiwan and Britain (to Mar 19).

Rio, five years on Non-governmental delegates from 80 countries meet in Rio de Janeiro, five years on from the Rio 92 world environment conference (to Mar 19). The Rio+5 conference is to review progres on ecological issues and report on the implementation of Agenda 21, signed hy more than 100 heads of state at the 1992 summit. Delegates are expected to criticise delays in enforcing this and other accords. The conference is intended as a preparatory session for a meeting of the UN Commission on Sustainable Development in April and a special session of the UN General Assembly in June.

Portuguese Open, Lisbon (to Mar 16).

#### FT Survey

UK Retailing (UK only).

#### FRIDAY

Tories on launch pad Brian Mawhinney, the chairman of the British Conservative party, opens its mid-year conference in Bath. The Conservative Central Council will provide the party with a high-profile launch pad for its general election

campaign. However, John Major, the

prime minister, is not expected to use his speech on Saturday to announce the date of the poll.

#### **Election in Bahamas** Bahamians vote in a general election in

which, for the first time in 30 years, Sir Lynden Pindling, the country's elder statesman, will not be a factor. He is ill and has taken a back seat in politics. Hubert Ingraham, the prime minister, says that, if returned to office, it will be his last in politics. Mr Ingraham's Free National Movement will be challenged by the Progressive Liberal Party of Bernard Nottage, who succeeded Sir Lynden as party leader. The election follows a year of economic expansion, estimated at 3 per cent, in this archipelago of 250,000 people. The growth was in tourism and financial

services.

Second Tests: South Africa v Australia, Port Elizabeth (to Mar 18); New Zealand v Sri Lanka, Wellington (to Mar 16); West Indies v India, Port-of-Spain (to Mar 18).

#### FT Surveys Latin American Finance; UK Mid

Market Companies (UK only).

**Public holidays** 

Andorra, Liberia.

## SATURDAY

Election test in Nigeria Multi-party local elections in Nigeria provide the first real test of the military government's declared intention to hand over to civilians hy October next year. Five parties are competing. However, voters' registration ended amidst widespread allegations of fraud, corruption, violence and incompetence; and the politicians have mainly bickered over who should hold which internal party office. Nigeria's last effort at competitive elections was annulled by the army four years ago. Now there is speculation that the man behind that

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**表事**素

(日本は海洋は日本の日本のころと)

#### Rugby union

Five Nations' championship: Wales v England, Cardiff; France v Scotland, Paris.

decision, General Sani Abacha, the

to stand for election himself.

current head of state, may be preparing

#### Public holidays

Belarus, Hungary, Liberia.

#### 16 SUNDAY

Writers' Guild awards



After Emma Thompson's debut script for Sense and Sensibility won last year's top US screenwriting award, all-American efforts should

have a strong chance at the Writers'. Guild gong ceremony in Hollywood. Despite the elegance of Douglas McGrath's Emma, and the nomination of The English Patient, the US competition is tough. The FT's off-the-cuff critic favours Joel and Ethan Coen's shades-of-black comedy Forgo over Cameron Crowe's Jerry Maguire. Shine is said to be in with a hope - and John Hodge's Trainspotting would have a good chance if only more Americans understood the patois.

Compiled by Simon Strong. . Fax: (+44) (0)171 878 3194

## Other economic news

Monday: UK producer price inflation should have remained depressed in February because of the strong pound. The market is looking for a 5.8 per cent annual fall after a decline by 6.3 per cent in January. Last week's purchasing managers survey also suggested that prices are under pressure. Tuesday: US forth quarter non-farm productivity is forecast to have gone up by an unspectacular 1.1 per cent after a downward revision of forth quarter GDP. Wednesday: UK industrial production in January is expected to have risen by 2.8 per cent year-on-year after 1.8 per cent in December. The rise in manufacturing output is expected to be markedly lower.

Thursday: The market forecast for headline US retail sales in February is for an annual rise of 3.3 per cent, as the US economy remains buoyant.

Friday: Economists predict a strong annual rise of 3.7 per cent for US industrial production during February. The long list of strong economic data has already heightened expectation of a rise in US interest rates.

#### Statistics to be released this week

Day . Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Nelossed	Country	Economic Statistic	Maction Forecast	Previous -
Mon	UK	Feb producer price input*	-0.1%	-0.5%	Thurs	US	M3 week ended March 3	·	\$1bn ,
Mar 10	UK	Feb producer price input**	-5.2%	-6.2%	Mar 13	US.	Feb monthly M1		-\$1.8bn
	UK	Feb producer price output	0.1%	0.2%		US	Feb monthly M2		\$16.7bn
	UK,	Feb producer price output*	1.4%	1.5%		us	Feb monthly M3		\$30.4bn
	UK	Feb PPI ex-food, drink, tobacco	0.6%	0.5%	Frl	Japan	Jan overall personal consumer expend	0.2%	-0.6%
	Canada,	Feb housing starts, units	145.2k	145k	Mar 14.	Japan	Jan pers consumer expend (workers)**	_ A (e.	-0.8%
Tues	Japan	Jan machinery orders ex-elec, ships"	7.5%	0.2%		Japan	Jan income (workers)**		2.8%
Mar 11	Јарал	Jan machinery orders ex-elec, ships*	4.6%	-12.8%		France	Dec current account	Fir9bn · · ·	Pfr8bn ::
	Canada	Jan motor vehicle sales*	-2.0%	5.1%		US	Feb producer price index	0.1%	-0.3%
	US	BOT-Mitsubishi March 6		-0.3%		US	Feb PPI ex-food and energy	0.1%	unch
	US	Q4 productivity revenue		2.2%		US	Jan business inventory.	0.2%	-0.1%
	us	Jan wholesale trade	-	0.2%		US	Fab industrial production	0.3% .	unch"
Wed	UK	Jan industrial production*	0.2%	0.6%		US	Feb capacity utilisation	83.4%	83.3%
Mar 12	UK	Jan industrial production**	2.6%	1.9%		US	Fab bank credit		.11.4%
	UK	Jan manufacturing output*	0.3%	0.2%		US	Feb C and i loans		5.6%
	UK	Jan manufacturing output**	1.5%	1.4%	During t	he week		_: ::	
Thurs	France	Feb consumer price index (prov)*	0.3%	0.3%		Germany	Feb final cost of living west*		0.5%
Mar 13	France	Feb consumer price index (prov)	1.7%	1.5%		Germany	Feb final cost of Iving west	•	1.9%
	US	Feb retail sales	0.5%	0.6%		Germany	Feb final cost of living pan-Ger* .	0.4%.	0.5%
	us	Feb retail sales ex-auto	0.5%	0.4%		Germany	Feb final cost of living pen-Ger .	1.7% .	.1.8%
	us	Initial claims March 8		31 <b>0</b> k		Germany	Jan retail sales, real not?	1.5%	-4.4%
	us	State benefits March 1		2,977k		Germany	Jan retail sales, real †"	2.1%	-3.2%
	US	Q4 current account ·		-\$48bn		Japan	Feb Tokyo department store sales**	:	-1.7%
	US	M1 week ended March 3		\$4.1bn		Germany	Feb wholesale price Index*	0.4%	1.2%

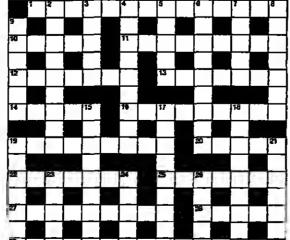
- **ACROSS** 1 Celebrate moving on, take him a gift (4,1,5,2,2) 10 Go in for chips without fish
- 11 A regiment prepared to
- snoot to get something for Christmas (7) 13 They get taken in by foreigners (7)
  14 Actor in a run (5)
  16 I made case out for schools
- (9) 19 Wounding glances, maybe
- (3)
  20 Do well, getting about ninety fisb (5)
  22 Having cut down, Jack, terribly thin, gains a stone (7)
  25 Irreverence shown by cheeky child I have yet to reform (7)
  27 Distribute circular about university courses (9)
- university courses (9)
  28 A blow to Wilde's initial enthusiasm (5)
  29 What is required for a water bed? (6.8)
- 2 Teach unit members to become reliable (9) 3 Strange bow mill-race ends

M2 week ended March 3

- in the lake (5)

  Try to reach agreement, but get into trouble over one point (9)

  Over-include in food or in
- egg flip (5)
  6 "Dog gets bit" final oews item (9)
  7 Instinct for money in the market (5)
- marker (5)
  Setting out, steer ship inside locks (7)
  Holy place that may throb with intense activity (6)
  Atlantic island rising above the boring (6) the horizoo (6)
  17 lsn't, alas, a reformed enemy (9)
- 16 Grows wrinkled (9) 19 Doesn't accept imperiect articles (7)
  21 Kept quiet in defeat (3.3)
  23 It provides seedless apples
- for cooking (5)
  24 Transport a oumber of plant stems (5) 26 it may give you a call about opening up (5)



WINNERS 6,308: Miss M. K. Beal, Sonthsea, Hampshire; C. M. Betterton, London SE12; D. A. Carey, Maidenhead, Berksbire; D. A. Robertsbaw, Knareshorough, North

#### **MONDAY PRIZE CROSSWORD** No.9,320 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of \$40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday March 20, marked Monday Crossword 9,320 on the envelope, to the Pinancial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 24. Please allow 28 days for delivery of prizes.

Solution 9,308

"month on month, "year on year, †seasonally adjusted







Statistics, courtesy kilds international

## Peanuts.

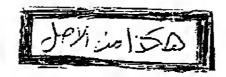


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**JOTTER PAD** 

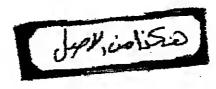
"An income statement is a portrait of how the manager has behaved daily." KAZUO MAMORI. KYOLEN.



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## MOSE PRICES NASDAQ NATIONAL MARKET FOR 1997 PARTY OF 1997 PART NYSE PRICES NASDAQ NATIONAL MARKET Securities Securi **AMEX PRICES** 4 pm dose March 7 | Fig. | Sin Stock Div. E 100c High Leur Close Chag z0 28 c28 28 325 2<sup>7</sup>g 2<sup>1</sup>g 2<sup>7</sup>g +1<sup>1</sup>g knatronOp 0.16 17 22 12<sup>3</sup>g 12<sup>1</sup>g 12<sup>1</sup>g -1<sup>2</sup>g knt. Come 568 6<sup>2</sup>g 6<sup>2</sup>g 6<sup>2</sup>g -1<sup>2</sup>g knt. Come 568 6<sup>2</sup>g 6<sup>2</sup>g 6<sup>2</sup>g -1<sup>2</sup>g knt. Come 568 10<sup>2</sup>g 13<sup>7</sup>g 13<sup>7</sup>g 13<sup>7</sup>g 11<sup>7</sup>g Payar Grad Ol lods SJW Corp 228 25 31 51 2 51 4 51 2 Easte Co x 0.46 42 5 137s 137s 137s Echo Bey 3964 714 7. 714 2296 131 131 1314 305 2½ 2½ 2½ 1½ 2521 2½ 2½ 2½ 1½ 35 20 3½ 3½ 3½ Kogreq 0.20 98 796 184 177 177 | Macroun | 19 65 47 48\(\frac{1}{2}\) 47 \(\frac{1}{4}\) | Macroun | 19 65 47 48\(\frac{1}{2}\) 2 47 \(\frac{1}{4}\) | Macroun | 19 65 47 48\(\frac{1}{2}\) 2 47 \(\frac{1}{4}\) | Macroun | 19 65 47 48\(\frac{1}{2}\) 2 47 \(\frac{1}{4}\) | Macroun | 19 65 47 48\(\frac{1}{2}\) 2 47 \(\frac{1}{4}\) | Macroun | 19 65 47 48\(\frac{1}{2}\) 2 31\(\frac{1}{2}\) 31 21\(\frac{1}{4}\) \(\frac{1}{4}\) | Macroun | 17 671 27 28\(\frac{1}{4}\) | Macroun | 17 671 27 28\(\frac{1}{4}\) | Macroun | 18 67 7\(\frac{1}{4}\) 7 31 7\(\frac{1}{4}\) 7 31 7\(\frac{1}{4}\) | Macroun | 18 67 7\(\frac{1}{4}\) 7 31 7\(\frac{1}{4}\) | Macroun | 18 67 7\(\frac{1}{4}\) | Macroun | 18 Consiner 8.20 14 287 341<sub>2</sub> 341<sub>4</sub> 241<sub>2</sub> + 1<sub>8</sub> Chief FAA 8.D1 230 41<sub>6</sub> 42 42 41<sub>6</sub> + 1<sub>6</sub> Consisting 20 18 291<sub>8</sub> 287<sub>8</sub> 291<sub>8</sub> 41<sub>8</sub> Consisting 49 101<sub>8</sub> 91<sub>8</sub> 81<sub>8</sub> 11<sub>8</sub> Consisten 35 112 112 113 116 Consisten 17 8 65<sub>8</sub> 65<sub>8</sub> 65<sub>8</sub> 11<sub>2</sub> 122 706 37 384 367 +12 125 5042 374 2712 3712 139 12 14 12 4 4 169 71 73 71 +1 Xyoranix 1096 4 14 4 New StDer HanDir Cytoges Cytoges Cytoges Wintern 22111066 24<sup>1</sup>4 23<sup>1</sup>4 23,74 -24 Worthinds x 0.48 21 1860 20<sup>1</sup>4 20 20<sup>1</sup>8 +<sup>1</sup>4 1522 51s 5 5 WPP ADR 0.10 23 511 4238 413 4238 +58 14 39 18<sup>3</sup>4, 18<sup>1</sup>4 18<sup>1</sup>4 18<sup>1</sup>4 Wyrman-Gdn 0.40 24 1007 18<sup>3</sup>4, 18<sup>1</sup>2 18<sup>1</sup>2 + 18 Komania Kalicke B - D -Have your FT hand delivered in -X-Y-Z-2613364 47<sup>1</sup>2 44<sup>1</sup>2 44<sup>3</sup>4 -2 2516223 18<sup>1</sup>4 16<sup>3</sup>2 18<sup>5</sup>2 -1<sup>3</sup>4 1926 6<sup>2</sup>6 6<sup>2</sup>5 6<sup>2</sup>5 +<sup>3</sup>4 3075 16<sup>2</sup>7 16<sup>3</sup>7 18<sup>3</sup>7 Labone 0.72 61 107 16<sup>3</sup>2 19 19 Ladd Fem 139 15% 15% 15% 15% -1.c Ladd Fem 139 15% 15% 15% -1.c Ladd Sech 11 8732 35% 35% 35% -1.c Lancester x 0.72 16 584 45% 45% 45% 45% -1.c Lances & 0.26 22 239 18 18% 19 +1.c 18 327 94 87 81 1 ZionsUteh 1.70 18 2081253 1223 124 +13 **EASDAQ** EASDACI is a fully regulated independent pan European Stock Market tocused on high growth companies with international aspirations. The shares of companies on the EASDACI Stock Market can be bought and sold through EASCACI Members. EASDACI Members are made up of Brokers and Banks from across Europa. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for all subscribers in the ActiviCard USSS.125 9 825 8 ActiviCard USSS.125 9 825 8 ActiviCard USSS.125 9 11,375 10,25 It Soloments ADS USSS.4.125 -0.825 8 20 22,75 Especi Rescort AOS USSS.2.25 0 12,5 12 business centres of Helsinki and Espoo. Please call +49 69 15 68 50 for more information. US\$12.375 US\$8 125 US\$5.375 tenogenence Marcar internital. Phyliach 11.375 9.125 6.25 475 Financial Times, World Business Newspaper. Prices for 7/3/97

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